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Wednesday,
10th August, 1955

सत्यमेव जयते

PARLIAMENTARY DEBATES

HOUSE OF THE PEOPLE

OFFICIAL REPORT

PARLIAMENT SECRETARIAT
NEW DELHI

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LOK SABHA DEBATES
(Part I—Questions and Answers)

Acc. No....25447...
Dated...06.02.20...

LOK SABHA

Wednesday, 10th August, 1955

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

हाथ-करघा कपड़ा विपणन समिति

***६०१. श्री एम० एल० द्विवेदी** : क्या **वाणिज्य और उद्योग** मंत्री यह बतान की कृपा करेंगे कि सरकार द्वारा अखिल भारतीय हाथ-करघा कपड़ा विपणन सहकारी समिति को किस प्रकार की सहायता और प्रोत्साहन दिया गया है अथवा देने का विचार है ?

उद्योग मंत्री (श्री कानूनगो) : अब तक सरकार ने अदा हुई शेयर पूंजी का तिगुनी रकम तक समिति को करज़ा देने का निश्चय किया है। यह रकम लगभग १५ लाख रुपये बैठती है ।

श्री एम० एल० द्विवेदी : मैं जानना चाहता हूं कि इस संस्था के उद्देश्य क्या हैं ?

श्री कानूनगो : इस संस्था का उद्देश्य हैंडलूम के कपड़ों की बिक्री में सहूलियत देना है ।

श्री एम० एल० द्विवेदी : यह समिति कब से काम करने लग जायेगी और इसके परसोनल के क्या नाम हैं ?

श्री कानूनगो : अभी हाल ही में इसकी रजिस्ट्री हुई है और पहली मीटिंग हो चुकी है । दूसरी मीटिंग इस महीने में होगी । इसके मेम्बर खाली कोआपरेटिव सोसाइटी वाले हो सकते हैं, दूसरे नहीं । पहली दफा

जो डाइरेक्टर्स हुये हैं वह गवर्नमेंट द्वारा मुकर्रर किये गये हैं, उन के नाम यह हैं :—

1. Shri N .P. Nachimuthu Mudaliar, President, Madras State Handloom Weavers' Co-operative Society Ltd., Madras.
2. Nawab Aizaz Rasool, Vice-Chairman, Uttar Pradesh Industrial Co-operative Association Ltd., Kanpur.
3. Shri Ramakanta Rao, President, Andhra Handloom Weavers' Co-operative Society Ltd., Vijayawada.
4. Shri J. A. Andrew, Madhura Mills Co. Ltd., Madurai.
5. Shri Konda Laxman, President, Hyderabad Handloom Weavers' Central Co-operative Association Ltd., Hyderabad.
6. Shri M. Somappa, President, Yemmiganur Weavers' Co-operative, Production and Sale Society Ltd., Yemmiganur.
7. Mrs. Pupil Jayakar, 25, Dungarsi Road, Malabar Hill, Bombay.
8. Chairman, All-India Handloom Board, Bombay.
9. Joint Registrar for Industrial Co-operatives & Village Industries, Poona.

श्री हेडा : यह मार्केटिंग कोआपरेटिव सोसायटी हिन्दुस्तान में ही माल बेचने का काम करेगी या बाहर भी माल बेचने का काम करेगी?

श्री कानूनगो : हिन्दुस्तान में भी बेचेगी और निर्यात भी करेगी ।

Shrimati A. Kale: May I know why there is no representative from the Madhya Pradesh where there is a lot of handloom industry going on ?

Shri Kanungo : It all depends on the societies which prefer to take the obligations of membership of the society. Madhya Pradesh societies have not chosen to be members.

Chandigarh Radio Station

***602. Shri D. C. Sharma** : Will the Minister of **Information and Broadcasting** be pleased to state :

(a) the amount spent so far on the setting up of a Radio Station at Chandigarh;

(b) the time by which the Station will be start functioning; and

(c) the total amount to be spent thereon ?

The Minister of Information and Broadcasting (Dr. Keskar) : (a) and (b). There is no question of a Station being opened at Chandigarh. The proposal is for an auxiliary studio to be set up. This studio will be connected to the Jullundur Station of All India Radio. No expenditure has been incurred so far on this project as the question of suitable accommodation at Chandigarh has not yet been settled.

(c) The estimated cost is about Rs. 25,000/-.

Shri D. C. Sharma : May I know how many such auxiliary studios exist already in the Punjab and whether there is a proposal to set up an auxiliary studio in P.E.P.S.U ?

Dr. Keskar : There are no other auxiliary studios in the Punjab, nor is there any proposal to set up any in the Punjab. In the P.E.P.S.U. there is a proposal to set up one at Patiala.

Shri D. C. Sharma: May I know what is the difference between an auxiliary studio and a Radio station, and whether an auxiliary studio broadcasts or not ?

Dr. Keskar : An auxiliary studio is meant for the purpose of broadcasting from time to time. It is not a studio which functions throughout the day, every day of the year, while a station of the All India Radio functions throughout the day and broadcasts programmes in the morning, afternoon and the evening.

Shri D. C. Sharma : May I know whether, when the Chandigarh auxiliary studio gets going, the Simla auxiliary studio will be stopped ?

Dr. Keskar : At present, there is no auxiliary studio at Simla. In fact, there is an auxiliary station already opened at Simla for the purpose of catering to the cultural needs of the hill areas.

Small Scale Industries

*603. **Shri Eswara Reddi :** Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether it is a fact that foreign technical experts are proposed to be recruited to help the development of Small Scale Industries in the country;

(b) if so, the names of he countries from where these experts are being recruited; and

(c) the terms and conditions of their service in the country ?

The Minister of Industries (Shri Kanungo) : (a) Yes, Sir.

(b) and (c). A statement is laid on the Table of the House. [*See* Appendix IV, annexure No. 37]

Shri Eswara Reddi : From the statement I find that only certain industries are selected. May I know the reason why other industries such as handloom are not included ?

Shri Kanungo : Where the industries require technical aid and the right type of consultants are available, they have been chosen to start with. As far as handloom is concerned, I suppose the talent available in our country is better than any where else.

Dr. Rama Rao : It is stated that the expenditure is met by the Ford Foundation. May I know who selects these personnel? Has the Ford Foundation selected and submitted the names to the Government or had the Government the initiative in selecting the names ?

Shri Kanungo : The selection was made by the officers of the Government of India. The Ford Foundation agencies helped them.

Dr. Rama Roa : The expenditure is borne by the Ford Foundation. Does it include the income-tax payable in India or does it include the income-tax payable by these experts in their own countries ?

Shri Kanungo : Their salaries exclude the income-tax payable in India.

Shri Nanadas : These experts are invited to help the development of small-scale industries. May I know the scope and nature of their work in this country?

Shri Kanungo : As column I of the statement shows, these men are experts in particular industries. They will help the institutions which are engaged in that industry.

Second Five Year Plan

*605. **Shri C. R. Chowdary :** Will the Minister of **Planning** be pleased to refer to the answer given to Starred Question No. 244 on the 25th February, 1955 and state:

(a) whether the Planning Commission have since agreed to include in the Second Five Year Plan the schemes for expansion and completion of :

(1) the Andhra Paper Mills, Rajamundary;

(2) the Ceramic factory at Gudur ;

(3) the Sri Venkateswara Strawboard Factory at Tirupati ;

(b) the estimated and approved cost of these projects ; and

(c) the estimated return on thes projects ?

The Deputy Minister of Planning (Shri S. N. Mishra) : (a) Not so far.

(b) The Government of Andhra have estimated the cost of shemes (1) and (3) at Rs. 50 lakhs and Rs. 10 lakhs respectively. No estimate for scheme (2) has so far been furnished by the State Government.

(c) The State Government have not furnished these details so far.

Shri Nanadas : In view of the fact that the Ceramic factory at Gudur is supplying sanitary ware comparably at lesser prices, may I know what steps Government propose to take to encourage this industry ?

Shri S. N. Mishra : All these things will be considered at the time of the examination of the draft Second Five Year Plan.

Tilaiya Dam

***606. Shri Ibrahim** : Will the Minister of **Irrigation and Power** be pleased to state:

(a) the quantity of electricity produced per month by the hydro-electric power station at Tilaiya ;

(b) the quantity out of this taken by the Bihar Government; and

(c) the quantity used for agricultural purposes ?

The Deputy Minister of Irrigation and Power (Shri Hathi) : (a) About 1·26 million K.W.H. per month.

(b) About 1·03 million K.W.H. per month. Excluding a small quantity consumed for departmental purposes. The entire energy generated at the station is sold to the Bihar Government.

(c) 24971 K.W.H. uring 1954.

Shri Jaipal Singh : Is it a fact that the Government of Bihar gets supply from the D.V.C. at a bulk rate of one anna per unit and that it sells in retail at something like 7 annas a unit ? What is the reason for this great disparity ?

Shri Hathi : It is not a fact that the Bihar Government sells it at 7 annas per unit. The rates charged by the Bihar Government are : for industrial purposes 0-2-6, for street lighting 0-2-6, for agriculture 0-2-6, for domestic purposes 0-2-0, for domestic lighting and fans 0-4-6.

Shri Jaipal Singh : Is it a fact that the rate at Ranchi is 7 annas per unit ?

Shri Hathi : These are the rates so far as they relate to power from Tilaiya dam. The question relates to the Tilaiya dam and the rates that I have quoted are the rates charged by the Bihar Government.

Shri S. C. Samanta : May I know how much of the powr produced goes to to the mica mines in Bihar ?

Shri Hathi : The D.V.C. sells in bulk to the Bihar Government. All the power that is generated by the Tilaiya dam is sold in bulk to the Bihar Government. It is for the Bihar Government to distribute this power to the various industries and mines. These figures can be obtained from the Bihar Government.

सेठ अचल सिंह : क्या मंत्री महोदय बतलाने की कृपा करेंगे कि तिलैयां डैम से अब जो २,००० किलोवाट बिजली बनाई जाती है, इस से ज्यादा बिजली तैयार करने की कोई योजना है ?

Shri Hathi : No, Sir. The capacity is 4,000 K.W.

Small Scale Industries

***607. Dr. Satyawadi** : Will the Minister of **Commerce and Industry** be pleased to lay on the Table of the House a statement showing :

(a) the total amount sanctioned and paid so far to the States of Delhi, Punjab, Pepsu and Himachal Pradesh for the development of Small Scale Industries for the year 1955-56 ; and

(b) how this amount compares with the amount paid during the year 1954-55; and

(c) whether any estimate can be made as to the number of persons employed or getting benefits in each of these States on account of this help ?

The Minister of Industries (Shri Kanungo): (a) to (c). A statement is laid on the Table of the House [*See* Appendix IV, annexure No. 38].

डा० सत्यवादी : क्या मैं जान सकता हूं कि वह तमाम रुपया स्टेट गवर्नमेंटस को अदा कर दिया गया है या कुछ अभी तक अदा करने को बाकी है ?

श्री कानूनगो : यह इन्फारमेशन स्टेटमेंट में दी गयी है । पंजाब गवर्नमेंट को सारे का सारा रुपया १९५४-५५ का मिल गया है और १९५५-५६ के बारे में कोई इत्तिला नहीं है । हिमाचल प्रदेश को सारा रुपया मिल गया है । दिल्ली गवर्नमेंट और पेप्सू गवर्नमेंट को भी सारा रुपया मिल गया है ।

डा० सत्यवादी : क्या ऐसा कोई अन्दाजा किया गया है कि इस स्कीम से कितने हरिजनों को या हरिजन कोआप्रेटिव सोसाइटियों

को फायदा पहुंचेगा ? अगर नहीं तो क्या सरकार इस किस्म के आंकड़े अलहदा मालूम करने का इरादा रखती है ताकि हरिजनों के आर्थिक विकास का अन्दाज़ा हो सके !

श्री कानूनगो : कोआप्रेटिव सोसाइटियों के बारे में जहां तक हरिजनों और दूसरों का का ताल्लुक है, अलहदा-अलहदा योजनायें नहीं बनाई गई हैं। इस वास्ते इसके बारे में कोई अन्दाज़ा नहीं लगाया जा सकता ।

Shri T. S. A. Chettiar : May I know whether the Government have calculated how much amount on an average is necessary to be invested to employ one man in the small scale industries ?

Shri Kanungo : The rate varies from industry to industry and location to location.

श्रीमती कमलेंदुमति शाह : क्या मैं जान सकती हूं कि उत्तर प्रदेश सरकार को जो रुपया दिया गया है वह उधार दिया गया है या सहायता के रुप में दिया गया है ?

श्री कानूनगो : इस के लिए नोटिस चाहिये ।

Dr. Rama Rao *rose*—

कोटा हाऊस

*६०८. **श्री झूलन सिंह** : क्या **निर्माण, आवास और सम्भरण** मंत्री यह बताने की कृपा करेंगे कि :

(क) कोटा हाऊस, नई दिल्ली, में राज्य सरकारों के मंत्रियों के आतिथ्य के प्रबन्ध में १९५४-५५ में कितना धन व्यय हुआ है; और

(ख) क्या सरकारी काम से नई दिल्ली आने वाले राज्य सरकारों के मंत्रियों से खाने तथा निवास के लिये कोई खर्चा लिया जाता है?

निर्माण, आवास और सम्भरण मंत्री (सरदार स्वर्ण सिंह) : (क) ठहरने और खाने के प्रबन्ध में क्रमशः २,५७४ रुपये और ४,०७५ रुपये ८ आने खर्च हुये ।

(ख) जी, नहीं ।

श्री झूलन सिंह : क्या मैं जान सकता हूं कि वह कौन कौन सी प्रादेशिक सरकारें हैं जिनके मंत्री कोटा हाउस में आ कर ठहरे और इससे लाभ उठाया ?

सरदार स्वर्ण सिंह : करीब करीब सभी राज्य सरकारों के मंत्री कोटा हाउस में आकर ठहरे ।

Shri Thimmaiah : May I know whether any conveyance facilities have been provided in this Kotah House for the use of the Ministers ?

Sardar Swaran Singh : Yes, Sir. Conveyance is also provided.

Shri Sarangadhar Das : In view of the fact that the Ministers coming from the States receive allowances from those States, how is it that they are not charged ?

Sardar Swaran Singh : Normally all Ministers, whether Central or State, when they are Government guests either at the Centre or in the States do not claim any allowances.

Cotton Spinning and Composite Mills

*609. **Shri Biswa Nath Roy** : Will the Minister of **Commerce and Industry** be pleased to state whether there is any proposal to install new Cotton Spinning and Composite Mills in the country during the current financial year ?

The Minister of Industries (Shri Kanungo) : The answer is in the affirmative so far as Spinning Mills are concerned. As regards the Composite Mills, Government are not permitting the setting up of any new looms.

Shri Bishwa Nath Roy : May I know the annual production in yards in the new mill which is proposed to be installed ?

Shri Kanungo : In the year 1954 the total production was 4,998 million yards.

Shri T. S. A. Chettiar : I understood from the answer that composite mills are not permitted to set up any new looms. Am I correct ?

Shri Kanungo : Yes.

Shri T. S. A. Chettiar : In the case of mills which are being run on an uneconomic basis, will extra looms be allowed to make them economic ?

Shri Kanungo : At present all looms are prohibited.

मंदिर

*६१०. **श्री रघुनाथ सिंह** : क्या **प्रधान मंत्री** यह बताने की कृपा करेंगे कि क्या यह सच है कि थाइलैंड सरकार का विचार भारत में एक मन्दिर बनाने का है ?

वैदेशिक कार्य मंत्री के सभा सचिव (श्री सादत अली खां) : जी, हां, बोध-गया में एक बौद्ध मन्दिर बनवाने का उनका विचार है ।

श्री रघुनाथ सिंह : क्या मैं जान सकता हूं कि क्या कोई और भी ऐसे देश हैं जिन्होंने भारत में मन्दिर बनाने की दरख्वास्तें भेजी हैं ?

प्रधान मंत्री तथा वैदेशिक कार्य मंत्री (श्री जवाहरलाल नेहरू) : जी, नहीं, कोई और ऐसी दरख्वास्तें नहीं आईं और न ही हम औरों से मन्दिर बनाने की दरख्वास्तें ही करते हैं ।

Steel

*611. **Dr. Ram Subhag Singh** : Will the Minister of **Iron and Steel** be pleased to state :

(a) whether Government propose to introduce any new system of processing steel in the State steel concerns;

(b) if so, the nature thereof ; and

(c) whether the entire output of India's State steel factories will be processed under this new system?

The Minister of Industries (Shri Kanungo) : (a) to (c). The question of adopting the new LD (Linz-Donawitz) process recently developed in Austria for the manufacture of the greater part of the Steel output in the case of the Hindustan Steel Limited is still under consideration. It is yet premature to say whether, and if so to what extent this process would be used for steel making in the other steel units to be established by Government.

Dr. Ram Subhag Singh : May I know whether the Government of India have invited any technical team from Austria to help this Government to introduce that processing system in this country?

Shri Kanungo : This is a well-established process which is worked out in many parts of the world and the consultants of Hindustan Steel are also well up for consultation purposes in this process.

छोटे पैमाने के उद्योग

*६१२. **श्री विभूति मिश्र** : क्या उत्पादन मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि छोटे पैमाने के उद्योगों द्वारा तैयार वस्तुओं के विपणन के लिये सरकार ने एक विस्तृत योजना स्वीकृत की है ; और

(ख) यदि हां, तो उस योजना की मुख्य मुख्य बातें क्या हैं तथा यह कब से लागू होगी ?

उत्पादन उप मंत्री (श्री सतीश चन्द्र) : (क) अखिल भारतीय खादी तथा ग्रामोद्योग बोर्ड, दस्तकारी बोर्ड और रेशम बोर्ड अपने अपने माल की बाजार में आसानी से खपत करने के प्रश्न पर काफी ध्यान दे रहे हैं । परन्तु सरकार के पास कोई विस्तृत योजना विचार करने के लिये नहीं भेजी गई है ।

(ख) विभिन्न बोर्डों ने हाथ की बनी हुई वस्तुओं की सर्व प्रियता बढ़ाने के लिये कुछ कदम उठाये हैं जैसे बिक्री भंडारों को खोलना, प्रदर्शनियों में भाग लेना, तथा दस्तकारियों की सूची छापना, इत्यादि ।

श्री विभूति मिश्र : मैं जानना चाहता हूं कि सरकार छोटे छोटे पैमाने के ग्रामोद्योगों के लिये तो इतना रुपया दे रही है, लेकिन क्या सरकार गांव में जो चर्खा चला कर सूत कातता है, या जो माल लोहार तैयार करता है या बढ़ई तैयार करता है, उन के माल को खरीदने का भी कोई इन्तजाम करती है या नहीं करती है ?

श्री सतीश चन्द्र : खादी और ग्रामोद्योग बोर्ड इस बात पर विचार कर रहा है कि जो सूत देहातों में काता जाता है या देहातों में जो दूसरे उद्योग हैं जैसे तेल का, उनका कोआपरेटिव सोसाइटीज के जरिये से संगठन हो और उनको माली इमदाद दी जाये । बोर्ड इस पर भी ध्यान देता है कि किस तरह माल की बाजार में आसानी से खपत हो ।

श्री विभूति मिश्र : क्या सरकार को मालूम है कि आजकल गांवों में जो छोटे छोटे काम करने वाले आदमी हैं उनके पास बहुत सा सामान पड़ा हुआ है और कोई खरीदने वाला नहीं है । क्या सरकार जो अनुदान देती है उस में से इसके लिये कुछ रकम अलग रख देगी ताकि उनके माल को खरीदा जा सके ?

श्री सतीश चन्द्र : अगर किसी विशेष स्थान की कठिनाइयों की तरफ माननीय सदस्य ध्यान दिलायेंगे तो खादी बोर्ड को लिखा जायेगा कि उन पर विचार करे ।

श्री विभूति मिश्र : खादी का सवाल नहीं है और सामान भी तैयार होता है । वहां पर लोहार है, बढ़ई है, चूड़ी बनाने वाला है जिनके पास काफी सामान पड़ा हुआ है लेकिन खरीदने वाला कोई नहीं है जिसके कारण उन में बेरोजगारी बढ़ रही है ।

श्री सतीश चन्द्र : इस सम्बन्ध में अगर माननीय सदस्य बतायें कि किस जगह पर क्या सामान है तो सरकार अवश्य विचार करेगी ।

Second Five Year Plan

***613. Shri A. K. Gopalan :** Will the Minister of **Planning** be pleased to state :

(a) the extent and nature of foreign aid, loan for assistance fixed for the Second Five Year Plan ;

(b) whether there are any conditions to be stipulated for this aid, loan or assistance; and

(c) if so, their nature ?

The Deputy Minister of Planning (Shri S. N. Mishra) : (a) The extent and nature of foreign aid or foreign loans that might become available for the Second Plan period are not yet known.

(b) and (c). Do not arise.

Shri N. B. Chowdhury : In view of the reply given by the hon. Minister, may I know whether Government will be in a position to finalise their estimates with regard to the resources, in the absence of any idea about the extent of foreign assistance?

Shri S. N. Mishra : The idea about the foreign assistance at this stage could be only notional, but even so, that should not come in the way of our making a somewhat reasonable assessment of the resources that may be available for the Second Plan.

Shri N. B. Chowdhury : How can we form an idea about the amount or notion of help without contacting the different countries?

Mr. Speaker : I think the hon. Member has misunderstood the reply given by the hon. Minister. The hon. Minister's reply, as I understood it, was that even without taking into consideration any foreign aid, they will be in a position to approximately make out their plans.

Shri S. N. Mishra : What I meant was that one could make a reasonable estimate of one's foreign exchange requirements and also some reasonable estimate of the amount of aid that may be coming but that is only notional at this stage.

Korean Prisoners of War

***614. Chaudhuri Muhammed Shaffee:** Will the **Prime Minister** be pleased to state ;

(a) whether the Government of India have requested the U.N.O. to arrange for the repatriation of the Korean *ex*-Prisoners of War now stationed in India;

(b) whether it is a fact that there has been a lot of recurring trouble with these *ex*-Prisoners of War;

(c) if so, what are the incidents; and

(d) whether Government have investigated them?

The Parliamentary Secretary to the Minister of External Affairs. (Shri Sadath Ali Khan) : (a) No.

Some of the *ex*-prisoners of war from Korea have opted for settlement in India. They have been given facilities for this purpose and are being trained in various technical institutions. Other *ex*-prisoners of war have opted for immigration to Mexico and other South American countries. The Government of India have been trying to obtain necessary facilities for them through the Secretary-General of the United Nations.

(b) and (c) There have been some cases of indiscipline in the camps, but no incident of a serious nature has taken place.

(d) The Government of India look upon the care and maintenance of these prisoners as an international responsibility and even petty occurrences have been sympathetically investigated by high officials of the Defence Ministry. The Government of India are statisfied that the arrangements made for the care and maintenance of the *ex*-prisoners, and the rehabilitation of those who have opted for India, are satisfactory.

Chaudhuri Muhammad Shaffee : May I know their number?

Shri Sadath Ali Khan : The number is 82. There are now 82 *ex*-prisoners of war from Korea in India.

Dr. Suresh Chandra : May I know the number of persons who have opted for India?

Shri Sadath Ali Khan : Of these 34 have opted for India.

Shri Kamath : Is it a fact that some of these prisoners of war have complained that though they have indicated their unwillingness to return to North Korea and have opted for countries of North and South America, pressure is being brought, or has been brought, to bear upon them by their present guardians or custodians, to return to North Korea?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru) : For the first time I have heard this; I have never heard of this before.

Shri Kamath : It has appeared in a Section of the press.

Shri Jawaharlal Nehru : The Defence Ministry, who are in charge of these people, are not in the slightest interested as to where they should go to. We are only interested that they should go.

Shri Kamath : Go anywhere?

Shri Jawaharlal Nehru : Yes, anywhere.

Makalu Expedition

*615. **Shri Nanadas:** Will the **Prime Minister** be pleased to state :

(a) whether a foreign Geological Team accompanied the French Makalu Expedition;

(b) if so, the nationalities of the members of this team and their number ; and

(c) on whose invitation this team carried out the survey ?

The Parliamentary Secretary to the Minister of External Affairs (Shri Sadath Ali Khan) : (a) to (c). Yes, Sir. Two French geologists accompanied the French expedition to Makalu in Nepal. They were members of the team and were presumably invited by the sponsors of the expedition.

Shri Nanadas: May I know whether their survey and the results arising out of their survey will be made available to us

Shri Sadath Ali Khan : Yes, reports show that they have conquered some peak, and they had gone on the expedition. What results the hon. Member is referring to, I am unaware of.

सीमान्त क्षेत्रों का विकास

*६१८. **श्री भक्त दर्शन :** क्या योजना मंत्री १५ अप्रैल, १९५५ को दिये गये तारांकित प्रश्न संख्या २२८३ के उत्तर के सम्बन्ध में यह बताने की कृपा करेंगे कि :

(क) क्या उत्तर प्रदेश सरकार द्वारा प्रस्तुत तिब्बत के सीमान्त क्षेत्रों सम्बन्धी विकास-योजनाओं के प्रतिवेदनों के बारे में तब से कोई अन्तिम निर्णय हुआ है ;

(ख) क्या उसके बाद से कोई और दूसरी योजनायें स्वीकृत हुई हैं ; और

(ग) क्या उपरोक्त योजनाओं का ब्योरा सभा पटल पर रखा जायेगा ?

योजना उपमंत्री (श्री एस० एम० मिश्र) : (क) जी, हां ।

(ख) जी, नहीं ।

(ग) उत्तर प्रदेश सरकार की प्रथम पंच वर्षीय योजना के अन्तर्गत करीब २.१४ करोड़ रुपये की अतिरिक्त धन राशि इन विकास योजनाओं के लिये मंजूर हुई थी । इस राशि में से १.४ करोड़ रुपये सड़कों के लिये, १८.३ लाख रुपये कुटीर उद्योगों के लिये और २१.५ लाख रुपये औषधीय पौधों के विकास के लिये रखे गये थे । इस कार्यक्रम के अन्तर्गत पशु पालन, बागवानी, सिंचाई, शिक्षा, स्वास्थ्य और चिकित्सा सम्बन्धी सेवाओं आदि के लिये भी रकमें रखी गई थीं ।

श्री भक्त दर्शन : पिछले समय उत्तर देते हुये माननीय मंत्री महोदय ने बताया था कि २.१४ करोड़ की जो मांग की गई

थी, उस में से १.८ करोड़ स्वीकृत किया जा चुका है । क्या मैं इसका यह अर्थ लगाऊं कि जितनी और योजनायें हैं, उनको अस्वीकृत किया जा चुका है, या वे अभी विचाराधीन हैं ?

श्री एस० एन० मिश्र : योजनायें स्थगित तो नहीं हुई हैं—उन पर काम जारी है, लेकिन जो संख्या अभी माननीय सदस्य ने बताई है, उसके बारे में पूरा बताने में बहुत सी गुत्थियां हैं । इस में कई मिनिस्ट्रीज़ आ जाती हैं और इसके अतिरिक्त जो कई रकमें दी गई हैं, उन में से एक रकम मेरे सामने है, जिसकी स्वीकृति अभी उत्तर प्रदेश सरकार की तरफ से नहीं आई है । इसलिये इन सारी बातों पर स्पष्ट रूप से प्रकाश डालने में ज़रा मुश्किल हो जायेगी ।

श्री भक्त दर्शन : क्या सरकार इस बात की आवश्यकता को महसूस करती है कि उत्तरप्रदेश सरकार ने जो योजनायें रखी हैं उनके अतिरिक्त सामुदायिक विकास योजना, और राष्ट्रीय प्रसार सेवा योजना के अन्तर्गत कुछ विकास खण्ड खोले जायें ? क्या इस बारे में भी कोई प्रगति हो रही है ?

श्री एस० एन० मिश्र : जब हम सामुदायिक विकास योजना और राष्ट्रीय प्रसार सेवा खण्ड के बारे में विचार करेंगे, तो हमारे सामने वह सुझाव भी होगा ।

श्रीमती कमलेन्दु मति शाह : क्या यह सच है कि उत्तर प्रदेश के बोर्डर एरियाज़ पर स्कूल खोलने की जो स्कीम है, उसके अनुसार ऐसे स्थानों पर स्कूल खोले जा रहे हैं, जहां डुप्लिकेशन हो रहा है और वे ठीक स्थानों पर नहीं खोले जा रहे हैं ?

श्री एस० एम० मिश्र : इस तरह की डुप्लिकेशन की मिसाल हमारे सामने नहीं आई है और उसकी कोई गुंजाइश भी नहीं मालूम होती है ।

German Reparations Machinery

***620. Shri S. C. Samanta** : Will the Minister of **Works, Housing and Supply** be pleased to state :

(a) the present stock position of the German Reparations Machines for disposal;

(b) the suggestions and recommendations of the Inspection Team about the disposal of the remaining machines; and

(c) how far they have been implemented ?

The Minister of Works, Housing and Supply (Sardar Swaran Singh) : The present stock of German Reparation machines consists of 368 items.

(b) The Inspection Team was asked to suggest the uses to which the machines could be put and the names of likely users (Government and Priority Indentors) who would be able to utilise them.

(c) As suggested by the Inspection Team the priority indentors were contacted and their demands met. A Committee has now been constituted to arrange disposal of the remaining items to private industrial concerns.

Shri S. C. Samanta : May I know whether, before this, industrial concerns were offered these machines ?

Sardar Swaran Singh : So far as these items are concerned, no offer has been made yet to any of the private industrial users.

Shri S. C. Samanta : May I know whether Government have any intention to sell them by public auction ?

Sardar Swaran Singh : Yes. If the priority indentors do not show any interest, then there will be no option but to sell them by public auction.

Shri S. C. Samanta : May I take it that the remaining 368 items will not be required by any Department of Government, and therefore these are going to be sold ?

Sardar Swaran Singh : I have already attempted to reply to that in my answer to part (c) of the question. An inspection team has been constituted, and a committee is arranging the disposal of the remaining items to private industrial concerns. They also come under this category of priority indentors.

Shri T. S. A. Chettiar : May I know whether educational institutions will

be given priority in the disposal of the storses, and whether a list of these machines will be circulated to them?

Sardar Swaran Singh : I presume that has already been done.

Shri Kamath : Considering that neither the Indian people nor the present ruling party were at war with Germany, have Government considered, as a goodwill gesture and in the true spirit of *Panch Shila,* the desirability of forogoing further German reparations.

Sardar Swaran Singh: That does not arise out of this question. We are concerned with the disposal of the items that we have got, not with regard to what we should get from the Germans by way of reparations. So far as I know, there is no question of our getting any new machines by way of reparations.

Shri Kamath : Is it not a fact....

Mr. Speaker : Order, order. This aspect has already been dealt with in previous years more than twice or thrice.

Shri Kamath : Not with regard to German reparations. That was with regard to Japanese reparations.

Mr. Speaker : Order, order.

Shri Kamath : Not German....

Mr. Speaker : We will go to the next question.

Shri Kamath : Why this discrimination between Japan and Germany?

Mr. Speaker : Order, order.

Shri Kamath : Why this discrimination?

Steel Price

*621. **Shri T. B. Vittal Rao :** Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether the Tariff Commission have since concluded their enquiry and submitted a report regarding the retention prices for steel to be paid to Tata Iron and Steel Company and Indian Iron and Steel Company ; and

(b) if so, the action taken by Government in this regard?

The Minister of Industries (Shri Kanungo): (a) No, Sir.

(b) Does not aise.

Shri T. B. Vittal Rao : May I know what are the reasons which weighed with the Government to advise the Tariff Commission that the retention price to be paid to Tatas should be on the basis of works cost per ton at the Indian Iron and Steel, though the same is very much less at Tatas ?

Shri Kanungo : The steel manufacturers have been representing that their cost of production has gone up and, therefore, the matter has been referred to the Tariff Commission.

Shri T. B. Vittal Rao : That does not answer my question. I asked the reasons for giving advice to the Tariff Commission that the retention price should be the works cost per ton obtaining at the Indian Iron and Steel Company, whereas the works cost at Tatas is much less.

Shri Kanungo : That is because the cost of production is different.

Mr. Speaker : The question is, why did the Government put the price for Tatas at a higher level, though their cost is lesser than the cost at Indian Iron and Steel.

Shri Kanungo : That is exactly the dispute.

Shri T. B. Vittal Rao ; They have advised the Tariff Commission that the cost should be on the basis of the cost at the Indian Iron and Steel, and not on the basis of the cost at Tatas, so that uniform rates should be charged for both companies. I want to know the reason for that.

Shri Kanungo : Instructions are not given to the Tariff Commission.

Shri T. B. Vittal Rao : I shall read out from the Tariff Commission papers.....

Shri Sarangadhar Das : May I know if higher prices will be charged by both these companies and because of these higher retention prices, the excess money will be invested in their assets ? In case there is nationalisation of these concerns in the future, near or distant, in calculating the compensation, will these amounts be deducted?

Mr. Speaker : Order, Order. I think the question is premature at this stage.

Shri T. B. Vittal Rao : May I put a question ?

Mr. Speaker : Yes, but he need not argue that point.

Shri T. B. Vittal Rao : May I know whether the Government have taken into consideration the repercussions on the coal industry when the Government treat this colliery block as an integral part of the steel block ?

Shri Kanungo: These are the questions on which the Tariff Commission will give advice to the Government.

पांडिचेरी

*६२२. **श्री के० सी० सोधिया:** क्या **प्रधान मंत्री** यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि पांडिचेरी के बेकार श्रमिकों की सहायता के लिये सरकार ने कुछ धन व्यय किया है ;

(ख) यदि हां, तो कितना ; और

(ग) क्या फ्रांसीसी सरकार से हुए करार में कोई एसी शर्त्त थी जिसके अनुसार यह सहायता दी गई है ?

वैदेशिक कार्य मंत्री के सभा सचिव (श्री सादत अली खां) : (क) से (ग). भारत सरकार ने पांडिचेरी के बेकार मजदूरों की सहायता के लिए कुछ भी धन व्यय नहीं किया है और न ही भारत-फ्रांसीसी समझौते में इसके लिए कोई शर्त्त है ।

श्री के० सी० सोधिया : क्या मंत्री महोदय को मालूम है कि एक्स्टर्नल एफेअर्स विभाग की बजट डिमाण्ड में पांडिचेरी के लिए इसके बारे में एक खासी रकम रखी गई है ?

प्रधान मंत्री तथा वैदेशिक कार्य मंत्री (श्री जवाहरलाल नेहरु) जी नहीं, मुझे नहीं मालूम है ।

Shri Muniswamy: May I know whether it has been brought to the notice of the Government that owing to the closure of the mills at Pondicherry, the unemployment problem has become very acute and, if so, will the Centre take any steps to solve that problem?

Shri Jawaharlal Nehru: Yes. Government have been concerned about this matter, and it is being dealt with by the Commerce and Industry Ministry. This particular question was whether we were helping directly the workers in the mills. That we have not done at Pondicherry. But the general situation has been before the Commerce and Industry Ministry. I cannot precisely say what they have done.

Shrimati Renu Chakravartty: May I know whether a bi-partite agreement was entered into in the presence of the Chief Commissioner and the senior officials of the Commerce and Industry Ministry in which it was specifically stated that 'Chomage' unemployment relief was to be paid, and that after that, for May, June and July, no 'Chomage' has been paid? May I also know the reasons therefor?

Shri Sadath Ali Khan: The French Administration had created an unemployment fund called 'Chomage'. Under this fund, the management of the mills had to contribute 2 per cent. of the labour wage bills and labour contributed an equal amount, while the Government contributed 50 per cent. of the import duty on cotton and coal. The position is this. Out of the unemployment fund, doles were to be paid. But at the present time, no tax is levied in Pondicherry on cotton and coal since the *de facto* transfer. The governmental contribution of 50 per cent of the import duty on cotton and coal to the 'Chomage' funds has, therefore been discontinued.

Shrimati Renu Chakravartty: In view of the answer that the hon. the Prime Minister has given, that we have undertaken no responsibility to pay 'Chomage'. I would like to know whether we are going to apply the lay-off compensation which applies to India.

Shri Sadath Ali Khan: The Government of India have appreciated the difficulties arising out of this situtation, and granted the following concessions to the mills: (1) The mills were permitted to export yarn, which is a concession not extended to other mills in India, (2) The mills were exempted from the excise tax on the export of cloth, and (3) Arrangements are also being made to place Government orders for the purchase of 4,26,000 yards of drill on Savana and Rodier Mills. This is by way of assistance.

Jute Mills

*626. **Shri Tushar Chatterjea:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether it is a fact that Government have decided to grant financial aid to the Jute Mills of West Bengal for modernisation of the Mills;

(b) if so, the amount of aid granted, and

(c) whether any condition has been laid down for giving aid?

The Minister of Commerce (Shri Karmarkar): (a) to (c). A scheme for grant of loans to the jute mills for modernisation of their equipment was put up by the industry sometime back, but no decision in the matter has so far been taken. As the matter is still under discussion with the industry in regard to the conditions under which aid may be given, it is not in public interest to disclose any details at this stage.

Compensation to Displaced Persons

*627. **Shri Hem Raj:** Will the Minister of **Rehabilitation** be pleased to state:

(a) the names of the places of the North Western Frontier Province (Pakistan) which have been treated as urban areas for purposes of payment of compensation to the displaced persons; and

(b) the main criteria taken into consideration in declaring them as such?

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle): (a) The places in North Western Frontier Province (Pakistan) which have been treated as urban for the purpose of payment of compensation to Displaced Persons, are the same as were treated as urban for the purpose of verification of claims. A list of such places is laid on the Table of the Lok Sabha [*See* Appendix IV, annexure 39].

(b) The criteria for deciding whether a given place in West Pakistan is urban or not is laid down in Section 2(d) of the Displaced Persons (Claims) Act, 1950.

श्री हेम राज : क्या मैं जान सकता हूं कि क्या एसे स्थानों को भी, जिनके बारे में हिन्दुस्तान की तकसीम होन से पहले नोटीफिकेशन हो चुका था मगर जहां उस वक्त तक नोटीफाइड एरिया कमेटियां, टाऊन कमेटिया या म्युनिसिपल कमेटियां कायम नहीं हो पाई थीं, अरबन एरिया माना जायेगा ?

श्री जे० के० भोंसले : एसे एरिया माने जाते हैं जो स्टेट्यूट के नीचे कांस्टीट्यूट हो गये हैं और जिनकी लिमिट मुकर्रर नहीं की गई है एसे अरबन एरिया नहीं माने जायेंगे ।

Shri Hem Raj: My question was whether the places which were notified as town areas by notified area committees or town committees or municipal committees before the partition of India, but where actually committees had not been established, or the places which have been declared as such by the Judicial Commissioner or the High Court, would be treated as such for purposes of urban compensation.

Shri J. K. Bhonsle: I have already said that those that were constituted in or under the statute would certainly be considered as urban areas.

Shri Hem Raj: From the statement I find that Hangu town is not included as an urban area. May I know whether that town will be treated as an urban area, as has been intimated to me by the hon. Minister of Rehabilitation?

Shri J. K. Bhonsle: Yes, Hangu town was, for some unknown reason, missed in the original list. To take that as an urban areas is under the consideration of the Government.

Iron

*631. **Seth Achal Singh:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether Government are aware that the control on iron has been tightened since June, 1955 and side by side Government have decided to purchase all the steel articles causing thereby a rise in their prices;

(b) whether Government are aware that the public, especially the agriculturists, experience a great difficulty in getting the steel articles in the markets; and

(c) if so, the action Government propose to take in the matter?

The Minister of Industries (Shri Kanungo): (a) and (b). No, Sir.

(c) Does not arise.

सेठ अचल सिंह : क्या मंत्री महोदय को मालूम है कि तमाम लोहा सेकेंड फाइव ईयर प्लान में ले लिया गया है जिसकी वजह से मार्केट में लोहा कम हो गया है और उसके लिये क्या कोई इन्तजाम किया जा रहा है कि मार्केट में व्यापारियों को लोहा मिल सके ?

श्री कानूनगो : हां, लोहे की जितनी मांग है, वह सप्लाई से ज्यादा है और आइन्दा के लिये लोहा बाहर से इम्पोर्ट करने की कोशिश हो रही है ।

सेठ अचल सिंह : क्या मंत्री महोदय को मालूम है कि पिछले दो महीनों में लोहे का रेट पांच रुपया फी मन बढ़ गया है ?

श्री कानूनगो : यह तो मालूम नहीं है कि कहां बढ़ गया है और कितने रुपये बढ़ गया है ।

Kosi Project

*632. **Shri M. L. Agrawal:** Will the Minister of **Irrigation and Power** be pleased to state :

(a) whether it is a fact that the recent rains and floods have adversely affected the progress of work on the Kosi Project; and

(b) if so, to what extent ?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) No, Sir.

(b) Does not arise.

रूस के लिये इस्पात प्रतिनिधि मण्डल

*३३३. **श्री राम शंकर लाल** : क्या **लोहा और इस्पात** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि रूस जाने वाला भारतीय इस्पात प्रतिनिधि मण्डल यूगोस्लेविया भी जायेगा , और

(ख) यदि हां, तो यूगोस्लेविया जाने में उसका क्या उद्देश्य है ?

उद्योग मंत्री (श्री कानूनगो) : (क) तथा (ख). जी, नहीं । परन्तु प्रतिनिधि-मण्डल के कुछ सरकारी सदस्यों से कहा गया है कि वे यूगोस्लेविया जायें और उस देश के औद्योगिक विकास के कुछ पहलुओं का अध्ययन करें ।

श्री राम शंकर लाल : क्या कुछ टेकनिकल पर्सनल भी वहां सीखने के लिये भेजा जाने वाला है ?

श्री कानूनगो : स्टील प्लांट में काम करने वाले लड़कों को रूस भेजा जायेगा अभी उसका प्रबन्ध नहीं हुआ है ।

श्री जोकीम अल्वा : मैं जानना चाहता हूं कि मैसूर आयरन स्टील वर्क्स के प्रतिनिधि इस डेलीगेशन में हैं कि नहीं ? इसके अलावा आप यह भी जानते हैं कि टाटा कम्पनी वालों ने पिछले दिनों यू० एस० एस० आर० स्टील प्लांट का स्वागत नहीं किया था, तो फिर टाटा कम्पनी के इतने प्रतिनिधि क्यों इस डेलीगेशन में डाल दिये ?

श्री कानूनगो : मैसूर आयरन स्टील कम्पनी का कोई आदमी इसमें नहीं है । टाटा कम्पनी के आदमी उस डेलीगेशन में हैं क्योंकि टाटा कम्पनी में अच्छे टेकनीशियंस हैं ।

Jute Enquiry Commission

*635. **Shri L. N. Mishra:** Will the Minister of **Commerce and Industry** be pleased to refer to the reply given to Starred Question No. 782 on the 6th December, 1954 and state which of the recommendations of the Jute Enquiry Commission 1954 have been implemented so far ?

The Minister of Commerce (Shri Karmarkar): The recommendations of the Commission accepted by Government, are of a long-term nature requiring action after consultation with the jute growing States and the jute industry. The implementation of these recommendations will naturally take some time.

Shri L. N. Mishra: I want to know whether it is a fact that priority has been given to the appointment of the Jute Commissioner and the setting up of a Development Council and not to the Regulated Markets and co-operative market for raw jute ?

Shri Karmarkar: I should like to have notice of this specific question.

Shri L. N. Mishra: I want to know whether there is any proposal to restrict the import of raw jute from Pakistan as recommended by the Commission especially in view of the situation created by the recent devaluation ?

Shri Karmarkar: I think the matter is under consideration. For these questions I shall have to ask for notice.

Shri L. N. Mishra: I want to know whether it is a fact that last year the hadka market was opened in Calcutta in

spite of the opposition of some of the State Governments and, if so, the reason for opening the phadka market.

Shri Karmarkar : I have no information on this point at the moment.

Jhargram Project Block

*636. **Shri N. B. Chowdhury :** Will the Minister of **Planning** be pleased to state the progress made so far with regard to the construction of a township in the Jhargram Project Block ?

The Deputy Minister of Planning (Shri S. N. Mishra) : Information has been called for from the State Government and will be laid on the Table of the House when received.

Shri N. B. Chowdhury : May I know whether Government have any idea that although a few houses have been constructed at the rather solitary place no other steps have been taken to convert that place into a real township and connect it with the neighbouring town ?

Shri S. N. Mishra : We have no precise information on that point.

Shri N. B. Chowdhury : May I know what is the general scheme of having a township in that particular area, the nature of the township that is expected to be built up ?

Shri S. N. Mishra : The township is intended to be built up for setting up small scale industries especially to provide opportunities for the employment of the displaced persons.

Community Projects and N.E.S.

*637. **Shri N. M. Lingam:** Will the Minister of **Planning** be pleased to state the steps taken by Government to implement the recommendations of the Programme Evaluation Organisation made in its latest report on the working o fthe Community Projects and National Extension Service?

The Deputy Minister of Planning (Shri S. N. Mishra): The report of the Programme Evaluation Organisation was considered at the Fourth Development Commissioners, Conference held at Simla in May 1955. The recommendations made in the report were generally accepted. Suitable action is being taken by the Government of India and the State Governments to implement the recommendations. A statement indicating the action taken or proposed to be taken is laid on the Table of the House. [*See* Appendix IV, annexure No. 40].

Shri N. M. Lingam: The Programme Evaluation Organisation has said that the progress of the community projects in starting village handicrafts and in securing greater co-ordination of activities of various departments has not been impressive. They have therefore recommended that the Government should proceed cautiously in the matter of expansion of the projects. May I know if Government have accepted the recommendation or whether they propose to go ahead with expansion of the community projects so that the entire country may be covered in the next Five Year Plan ?

Shri S. N. Mishra: The views expressed by the PEO in this connection would certainly be considered when we come to decide about the expansion programme. But, so far, the intention is to cover the entire country with National Extension Service during the next Plan period , and we are also thinking of expanding the community projects, but to what extent, will be decided when we come to certain conclusions about the Second Five Year Plan.

Shri N. M. Lingam: One of the recommendations of the PEO is that the present project advisory committees are in-effective, that they should be made more effective, that the chairmanship should be thrown open to the chairman of elected bodies like the local bodies and that an expert committee should be appointed to consider the question of training of personnel which is one of the greatest defects in the whole organisation. May I know the steps taken to implement this recommendation ?

Shri S. N. Mishra: It is indicated in the statement laid on the Table of the House. The suggestion about the presidentship of the committees is being considered

श्री के० सी० सोधिया : क्या ऐसी भी कोई सिफारिश है जिस में यह कहा गया है कि क्वांटिटी की अपेक्षा क्वालिटी की तरफ़ ज्यादा ध्यान देना चाहिए ?

श्री एस० एन० मिश्र : जी, हाँ, इस तरह की राय जाहिर की गई है ?

श्री के० सी० सोधिया : सरकार ने क्या उस के ऊपर कोई विचार किया है ?

श्री एस० एन० मिश्र : वह तो एक ऐसी अहम बात है जिस पर विचार करना ही चाहिए और सरकार विचार करेगी ।

Shri N. M. Lingam: May I know if the Planning Commission merely contents itself with transmitting the recommendations of the PEO to the State Governments or does it follow it up by watching the reactions of the State Governments to their proposals and evolve a co-ordinated programme in the light of experience gained by the latter, their difficulties and special problems?

Shri S. N. Mishra: As the implementation of the programme rests upon the State Governments, it is only in the fitness of things that these recommendations should be forwarded to them. But, generally, we come to unanimous conclusions about these matters.

N.E.F.A.

***639. Shri Rishang Keishing:** Will the **Prime Minister** be pleased to refer to the reply given to Starred Question No. 30 on the 25th July, 1955 and state:

(a) whether an enquiry has been held as to the alleged use of the regular Indian Armed Forces in the disturbed areas of Naga Hills and N.E.F.A; and

(b) if so, the result of the enquiry?

The Parliamentary Secretary to the Minister of External Affairs (Shri J. N. Hazarika): (a) and (b). Regular Indian Armed Forces are performing only garrison duties in Tuensang. It has not been found necessary to use them for dealing with the local disturbances. There is, therefore, no question of making any inquiry.

Shri Rishang Keishing: May I know whether the hon. Prime Minister will make a statement about the sad happenings in the Naga Hills and N.E.F.A and the Government's attitude towards the present movement in the Naga Hills and N.E.F.A?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): In answers to questions and otherwise the Government's attitude has been stated before the House. If the House so wishes or there is any further opportunity, I am prepared to repeat them.

Shri Rishang Keishing: May I know whether Government is in possession of any material to prove or to show that the movement in the Naga Hills and N.E.F.A.s directly or indirectly supported by foreign agents?

Mr. Speaker: I think all these questions are quite outside the scope of this question, which relates to the alleged use of the regular Indian Armed Forces in the disturbed areas. Has he to put any other question?

Shri Rishang Keishing: Yes, Sir. In view of the reply given just now, may I know whether there has been any exchange of firing between the Indian Armed Forces and the Nagas, and if so, the number of persons killed and wounded?

Shri Jawaharlal Nehru: The hon. Member just said something about foreign agents. I did not follow it.

Mr. Speaker: His question was whether Government have got any evidence to show that the Nagas had been instigated by foreign agents.

Shri Jawaharlal Nehru: We have not. There have been quite a number of petty incidents in that area in which some Government officials had been ambushed and attacked and there has been some firing too. I cannot give the figures.

Sodepur Glass Works, Limited

***640. Shri Kamath:** Will the Minister of **Production** be pleased to state:

(a) whether it is a fact that the Industrial Finance Corporation requested his Ministry to take over the Sodepur Glass Works, Limited;

(b) whether the Ministry have declined to take charge of the Works; and

(c) if so, the reasons therefor?

The Minister of Production (Shri K. C. Reddy): (a) Yes. The Industrial Finance Corporation made such a proposal through the Ministry of Finance in March, 1954.

(b) Yes.

(c) Sodepur Glass Works, suffered from some inherent economic disabilities and its taking over by Government was not considered advisable.

Shri Kamath: Was the Production Ministry convinced or satisfied that the previous owners of the Sodepur Glass Works and the Industrial Finance Corporation,——I mean, Corporation—had made a sorry mess of the whole affair?

Mr. Speaker: Order, order. He may put the question in a decent way without making allegations and insinuations.

Shri Kamath: Which part of the question is indecent, Sir?

Mr. Speaker: Making a mess of the whole affair.

Shri Kamath: So many messes are made, Sir. Well, was the offer made by the Corporation a *carte blanche* or were definite terms offered by the Corporation to the Ministry, and if so, were the terms identical with those offered by the Corporation to some private firms?

Shri K. C. Reddy: So far as I remember, the proposal was made in general terms in the beginning and so the Production Ministry did not take any interest in pursuing negotiations.

Shri Kamath: May I know whether there were any negotiations at all between the Corporation and the Production Ministry?

Mr. Speaker: The proposal came in a general form, in which the Production Ministry was not interested to carry on further.

Shri Kamath: Is it the policy of the Government that the public sector should not come to the rescue of the private sector even in emergencies?

Shri K. C. Reddy: It is not the policy of Government to take charge of "Lame Ducks" in the private sector. In this case, Government did not think it worth while to take over this concern, because they were advised that it was not judiciously planned. The size and location were not satisfactory, there were also some other units producing sheet glass and there was no dearth of capacity. More than all, this industry is not of such national importance as to be taken over by the public sector.

Shri Kamath: Who was responsible for the duck becoming lame?

Shri K. C. Reddy: That question must be addressed to the Minister of Finance.

औद्योगिक प्रदर्शनी

*६४१. **श्री राधा रमण** : क्या **वाणिज्य और उद्योग** मंत्री यह बताने की कृपा करेंगे कि :

(क) अक्तूबर, १९५५ में दिल्ली में होने वाली औद्योगिक प्रदर्शनी की व्यवस्था के लिये सरकार द्वारा स्वीकृत व्यय की धन राशि क्या है और यह धन किन किन मदों पर व्यय होगा ;

(ख) प्रदर्शनी के लिये जो भवन बनेगा उस पर अनुमानतः कितना व्यय होगा ; और

(ग) इस भवन तथा अन्य निर्माण-कार्यों से भविष्य में क्या लाभ होगा ?

वाणिज्य मंत्री (श्री करमरकर) : (क) भारत सरकार ने नई दिल्ली में होने वाली भारतीय औद्योगिक प्रदर्शनी के लिये १६,४८,००० रु० मंजूर किये हैं। यह रकम नई इमारतों के बनाने, पुरानी इमारतों को नया करने और एक नया मैदान बनाने में खर्च की जायेगी।

(ख) ७,४५,००० रु०।

(ग) यह जगह जहां पर भारतीय औद्योगिक प्रदर्शनी होगी स्थायी रूप से प्रदर्शनियों के लिये बनाई जा रही है। इस लिए जो इमारतें आज बनाई जा रही हैं, वे भविष्य में होने वाली प्रदर्शनियों के लिए काम में आयेगी।

श्री राधा रमण : क्या मैं यह जान सकता हूं कि सरकार ने जो रकम इस प्रदर्शनी के करने के लिये मंजूर की है उसके साथ कुछ शर्तें भी लगाई हैं, और अगर लगाई हैं तो वह शर्तें क्या हैं ?

श्री करमरकर : किस बारे में ?

श्री राधा रमण : एग्जिबिशन चलाने या इमारतें बनाने के बारे में।

श्री करमरकर : वह तमाम इमारतें हमारी रहेंगी और जो नई इमारतें बनेंगी उनका जो रेंट आने वाला है वह सब मिल कर साढ़े तीन लाख रुपया हो जायेगा, और हमारा खर्चा हो जायेगा १६,४८,००० रु०।

श्री राधा रमण : क्या मैं जान सकता हूं ....

Mr. Speaker: He may put the question in English.

Shri Radha Raman: May I know if the hon. Minister will be able to inform the House as to which are the principal countries that are going to participate in this exhibition, and in that connection, how many foreign visitors we are expecting in Delhi on that occasion?

Shri Karmarkar: We have received information that the following countries have agreed to come to this exhibition: U.S.A., West Germany, China, U.S.S.R., U.K., East Germany, Poland, Czechoslovakia, Rumania, Netherlands, Hungary, Yugoslavia, Belgium, Australia and Italy. I have no exact idea as to the number of persons that might be coming. but it may be considerable—a few thousands.

Shri Jaipal Singh: May I know whether the aviation industry will also be represented at this exhibition?

Shri Karmarkar: We have not set any limits on the industry, but I am not sure whether aviation will come.

Rehabilitation Advisory Board

*642. **Shri D. C. Sharma:** Will the Minister of **Rehabilitation** be pleased to state:

(a) the number of the meetings held so far by the Board constituted in connection with the administration of the Displaced Persons (Compensation and Rehabilitation) Act, 1954; and

(b) the decisions taken at these meetings?

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle): (a) 32.

(b) The Advisory Board acts in an advisory capacity and only makes recommendations to Government.

Shri D. C. Sharma: May I know if the Advisory Board considered the rules for the administration of the Displaced Persons (Compensation and Rehabilitation) Act, and if so what were their reactions to them?

Shri J. K. Bhonsle: Their reactions should be asked from them.

Shri D. C. Sharma: May I know if the conclusions which are arrived at at the meetings of the Rehabilitation Advisory Board are not considered by the Ministry and action taken upon them?

Mr. Speaker : I am afraid these rules have not yet been placed on the Table of the House. that so?

Shri J. K. Bhonsle: They will be placed on the Table on the 16th instant.

Mr. Speaker: Then, the questions may be reserved after the rules are placed on the Table of the House.

Retention Price of Steel

*644. **Shri C. R. Chowdary:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) the estimated amount of extra profit that would be obtained annually and earmarked for development and expansion programmes, as a result of "uniform retention price" of Rs. 335/- per ton to be paid to the major producers of steel; and

(b) the production cost per ton of steel to the major steel producers?

The Minister of Industries (Shri Kanungo): (a) It is estimated that if production costs remain constant, the two Steel Companies together would earn additional profit after paying taxes, of approximately Rs. 222 lakhs per year. This sum will be earmarked for development and expansion.

(b) Before the introduction of uniform retention prices, the average retention price allowed to TATAS was Rs. 331/- per ton and to IISCO Rs. 378/- per ton. This retention price includes production cost, depreciation and overheads and a profit of 8% en block.

Shri C. R. Chowdary: May I know whether any supervision is provided for in the expansion and development programme? If so, how is it proposed to be effected?

Shri Kanungo: Both companies have potential programmes for increasing the production of their steel as well as pig.

Shri C. R. Chowdary: May I know the reason for shifting the burden of cost for development and expansion programmes in steel to the consumer, leaving the profits of the investing houses untouched, with their fat money bags?

Shri Kanungo: The fund will be drawn upon only for expansion purposes and ultimately the expansion will result in reduction of costs to the consumer.

Shri Gadgil: In how many years?

Shri Kanungo: We cannot say just now.

WRITTEN ANSWERS TO QUESTIONS

विस्थापितों के लिये मकान

***६०४. श्री नवल प्रभाकर :** क्या **पुनर्वास** मंत्री यह बताने की कृपा करेंगे कि :

(क) केन्द्रीय सरकार द्वारा विस्थापितों के लिये दिल्ली में बनाये गये कितने मकानों को अब तक बेचा गया है ; और

(ख) उनसे कितनी आय हुई ?

पुनर्वास उप-मंत्री (श्री जे० के० भोंसले): (क) लगभग ३८५४ मकानों को ।

(ख) लगभग २,९३,७३,७४६ रुपये ।

Coal

***616. Shri K. P. Sinha:** Will the Minister of **Production** be pleased to state the reasons for the decline in the output of Coal in colleries in India in January and May, 1955 as compared to the preceding months?

The Deputy Minister of Production (Shri Satish Chandra): Variation in output from month to month including a drop in output is a normal feature. Such variation is attributable to limited transport availability and accumulation of stocks at pitheads and to variations in labour attendance.

Handicrafts

***617. Shri Bhagwat Jha Azad:** Will the Minister of **Production** be pleased to state:

(a) whether it is a fact that a conference of representatives of States was held in June, 1955 to consider proposals for the development of handicrafts in the Second Five Year Plan; and

(b) if so, the nature of decisions taken at the conference?

The Deputy Minister of Production (Shri Satish Chandra): (a) No, Sir.

(b) Does not arise.

Cost of Coal

***619. Pandit D. N. Tiwary:** Will the Minister of **Production** be pleased to state:

(a) whether it is a fact that the cost of production in Government collieries has gone up considerably during the last two years; and

(b) if so, the reasons therefor?

The Deputy Minister of Production (Shri Satish Chandra): (a) There has been a slight increase in the cost of production in Government collieries during the last two years.

(b) Shrinkage in working faces, exhaustion of reserves in some quarries and a change over from contract system of coal raising to departmental working led to a drop in output and a partial increase in cost of production. The increase in cost is partially attributable to payments of some arrear claims, write off of ineffective assets, increased working expenses for grain shop, renewals and repairs, etc.

Regional Designing Centres

***623. Shri P. Ramaswamy:** Will the Minister of **Production** be pleased to state:

(a) whether the proposed Regional Designing Centres have started their work;

(b) if so, from what date;

(c) the names of the handicrafts that will be designed by these Centres; and

(d) the estimated expenditure to be incurred during 1955-56?

The Deputy Minister of Production. (Shri Satish Chandra) : (a), (b) and (d) The proposal of the All India Handicrafts Board to start four Regional Design Centres at Delhi, Bombay, Bangalore and Calcutta, has been accepted by the Government in principle. The financial implications of the proposal are under consideration.

(c) The more important crafts in each of the four Regions will be selected with the object of improving the designs and making products more attractive for sale in India and abroad.

Lac

***624. Shri M. S. Gurupadaswamy:** Will the Minister of **Commerce and Industry** be pleased to state the measures taken or proposed to be taken to increase the export of lac?

The Minister of Commerce (Shri Karmarkar): 1. Quantum of export of lac during the last two years has remained steady while in terms of value there has been a substantial increase. It is, however, proposed to set up an Export Promotion Council for taking suitable measures for further stepping up the export of this item

2. Other steps taken by Government are :—

(*a*) inclusion of this item, wherever possible, in trade agreements with foreign countries; and

(*b*) checking unhealthy speculation.

Evacuee Property

***625. Shri Gidwani:** Will the Minister of **Rehabilitation** be pleased to state:

(a) the number of units of evacuee property restored under Section 16 of the Evacuee Property Act during the year 1955 so far;

(b) the value of such property; and

(c) the number of cases which are still pending?

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle): (a) to (c). Information is being collected and will be laid on the Table of the Sabha.

Honnemaradu Project

***629. { Shri N. Rachiah:**
Shri Wodeyar:

Will the Minister of **Planning** be pleased to refer to the reply given to Starred Question No. 26 on the 25th July, 1955 and state:

(a) the estimated cost of the HONNEMARADU Power Project;

(b) the probable capacity of the Project; and

(c) whether Government have decided to include it in the Second Five Year Plan?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) to (c). A statement is laid down on the Table of the House. [*See* Appendix IV, annexure No. 41].

Salt

***630. Shrimati Ila Palchoudhry:** Will the Minister of **Production** be pleased to state:

(*a*) the quantity and value of the rock salt imported, if any during the period from the 1st January to the 30th June, 1955;

(b) whether Pakistan still imports salt manufactured in India; and

(c) if so, the quantity of Indian salt imported by her during the period from the 1st January to the 30th June, 1955?

The Deputy Minister of Production (Shri Satish Chandra) : (a) No rock salt was imported into India during the period in question.

(b) No.

(c) Does not arise.

Trade with Afghanistan

***634. Shri M. Islamuddin:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether it is a fact that the trade with Afghanistan, is interfered with due to blockade of the normal trade routes through Pakistan; and

(b) if so, the steps Government propose to take in the matter ?

The Minister of Commerce (Shri Karmarkar): (a) Yes, Sir. It has been represented by the trade that considerable quantities of merchandise belonging to Indians destined for Afghanistan are held up in Pakistan.

(b) The matter has been taken up with the Government of Pakistan.

Import Policy

***638. Th. Jugal Kishore Sinha: Will** the Minister of **Commerce and Industry** be pleased to state the effect on Small Scale Industries as a result of liberalising the policy of import for the Second half of this year ?

The Minister of Commerce (Shri Karmarkar): Small Scale Industries have not been adversely affected by the changes made in the import policy for the Second half of 1955. The policy has been liberalised mainly in the case of items needed for industry or for meeting increases in demand which have not been matched by corresponding increases in domestic production. The interests of small scale industries as well as large and medium industries were prominently kept in view while enhancing quotas for various items.

विस्थापित हरिजन

***६४३. श्री नवल प्रभाकर :** क्या **पुनर्वास** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि दिल्ली राज्य के विस्थापित व्यक्तियों को शहर से बाहर

काफी दूर पर वसाया जा रहा है जिसके फलस्वरूप उनमें काफ़ी बेकारी बढ़ रही है; ग्रौर

(ख) यदि हां तो क्या सरकार का विचार उन के हेतु काम की व्यवस्था करने के लिये कोई योजना बनाने का है ?

पुनर्वास उपमंत्री (श्री जे० के भोंसले) : (क) जी नहीं ।

(ख) प्रश्न नहीं उठता ।

Surplus Stores

*645. **Shri Ibrahim:** Will the Minister of **Works, Housing and Supply** be pleased to state the approximate value of the surplus stores lying with Government at present and the probable date by which they could be disposed off ?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): The approximate book value of the Surplus Stores awaiting disposal as on 1-7-55, was Rs. 32 crores. It is expected that the bulk of these surpluses will be disposed of by the end of the current financial year.

Village Industries

*646. **Dr. Satyawadi:** Will the Minister of **Production** be pleased to lay on the Table of the House a statement showing:

(a) the total amounts sanctioned and paid so far to the States of Delhi, Punjab PEPSU and Himachal Pradesh for the development of Village Industries for the year 1955-56;

(b) how this amount compares with the amount paid during the year 1954-55; and

(c) whether any estimate can be made as to the number of persons employed or getting benefits in each of these States on account of this help ?

The Deputy Minister of Production (Shri Satish Chandra): (a) and (b). A statement giving the amounts sanctioned for the development of village industries other than khadi is laid on the Table of the House. [*See* Appendix IV , annexure No. 42].

(c) Since the funds have been disbursed only recently, it is too early to attempt a percise estimate of employment.

Committee on Rationalisation of Contracts

*647. **Shri Krishnacharya Joshi:** Will the Minister of **Works, Housing and Supply** be pleased to state whether the recommendations made by the Committee on Rationalisation of Contracts have been accepted by Government ?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): Government propose to accept most of the recommendations of the Committee. Formal orders are expected to issue very shortly.

Razors

*648. **Shri Bishwa Nath Roy:** Will the Minister of **Commerce and Industry** be pleased to state whether it is a fact that the Government of Uttar Pradesh has approached the Government of India for imposing a ban on the import of foreign razors for the protection of its cottage industry ?

The Minister of Commerce (Shri Karmarkar): No, Sir

Synthetic Petrol Plant

*649. **Shri A. K. Gopalan:**
Shri B. D. Shastri:
Shri T. B. Vittal Rao:
Shri N. M. Lingam:
Shri Bogawat:
Shri M. Islamuddin:
Shri R. N. S. Deo :

Will the Minister of **Production** be pleased to refer to the reply given to Starred Question No. 2373 on the 19th April, 1955 and state the progress made so far the setting up of a synthetic petrol plant in the country ?

The Minister of Production (Shri K. C. Reddy): Government have agreed in principle to the setting up of a plant of adequate capacity for the manufacture of synthetic oil in India. No final decision has however been taken so far regarding the priority to be accorded to the project, the site where the plant should be located and its capacity.

A final decision in this regard will be taken in the context of the resources available for the 2nd Five Year Plan. In the meantime, in order to take stock of the latest technical developments and to assist Government in coming to this decision, project reports have been invited from the following three firms:—

(*i*) M/S. M. W.Kellogg Co, U.S.A.

(*ii*) M/S. Lurgi. Germany.

(*iii*) M/S. Heinrich Koppers, Germany.

These reports are expected to be received by the end of October, 1955.

An experts Committee under the chairmanship of Dr. J. C. Ghosh has also been set up to assist and guide the firms from whom project reports have been invited, to examine the reports when submitted and to make suitable recommendations to Government.

Radio-Acitivity in Cyclone

*650. **Shri Punnoose:** Will the **Prime Minister** be pleased to state:

(a) whether it has come to the notice of Government that persons exposed to the current of the Cyclone which hit the west coast on the morning of the 20th May, 1955 suffered from a burning sensation all over their bodies;

(b) whether Government are aware that the trees facing the sea have started withering soon after the cyclone;

(c) if so, whether the Government of India have investigated into the cause of this phenomenon; and

(d) whether it is fact that this is due to the existence of radioactivity in the cyclone

The Prime Mnister and Minister of External Affairs (Shri Jawaharlal Nehru): (a) to (d). No reports have been received by the Government of India, nor have they any other information on the subject.

Refractory Brick Factory

*651. **Shri K. P. Sinha**: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the total number of refractory bricks produced per year in the country at present;

(b) whether it is fact that in Orissa a new factory is to be established for the production of refractory bricks; and

(c) if so, when this factory is expected to go into production?

The Minister of Industries (Shri Kanungo) : (a) Roughly about 170,000 Tons.(Information is not available in numbers).

(b) Yes, Sir.

(c) By the end of the next year.

Exhibition of Crafts

*652. **Shri Bhagwat Jha Azad :** Will the Minister of **Rehabilitation** be pleased to state:

(a) whether it is a fact that Government have formulated a scheme to encourage the exhibition of crafts manufactured by displaced persons resettled in different parts of the country on special occasions like industrial fairs etc.; and

(b) if so, whether Government propose to give any financial help towards meeting the cost of such exhibition ?

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle) : (a) No, Sir.

(b) Does not arise.

नमक

*६५३. **श्री के० सी० सोधिया** : क्या **उत्पादन** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि देश के विभिन्न भागों में मई और जून १९५५ के दौरान में नमक के भाव बहुत ऊंचे हो गये थे और बाजार में नमक का मिलना कठिन हो गया था ;

(ख) यदि हां तो इस कमी तथा ऊंचे भाव का क्या कारण था ;

(ग) क्या सरकार ने इस प्रकार की घटनाओं की पुनरावृत्ति को रोकने के लिये कोई उपाय किये हैं; और

(घ) यदि हां तो वे क्या हैं तथा कब से लागू होंगे ?

उत्पादन उपमंत्री (श्री सतीश चन्द्र) : (क) से (घ). स्थिति साफ करने के लिये सभा पटल पर एक विवरण रख दिया गया है **[देखिये परिशिष्ट ४ अनुबन्ध संख्या ४३]** ।

Damodar Valley Corporation

*654. { **Shri Raghunath Singh :**
Dr. Rama Rao :
Shri Gidwani :

Will the Minister of **Irrigation and Power** be pleased to refer to the statement laid on the Table of the House in reply to Starred Question No. 638 on the 8th September, 1954 and state :

(a) whether the excess payment made to Messrs. Hind-Patel Ltd. by the Damodar Valley Corporation has since been realised; and

(b) if not, the reasons therefor?

The Deputy Minister of Irrigation and Power (Shri Hathi) : (a) and (b). The DVC are conducting negotiations with the contractors and the outcome is awaited.

Nandikonda Project

***655. Shri P. Ramaswamy :** Will the Minister of **Irrigation and Power** be pleased to refer to the reply given to Starred Question No. 15 on the 25th July, 1955 and state the nature of the assistance that the Central Government have decided to render in respect of technical man-power, subsidiary industries and other ancillary schemes to help quicker execution and early completion of the Nandikonda Project?

The Deputy Minister of Irrigation and Power (Shri Hathi) : The question of rendering assistance to the State Governments of Andhra and Hyderabad in the execution of the Nandikonda Project will be considered as and when a request is received from the State Governments.

Jute Enquiry Commission

***656. Shri L. N. Mishra :** Will the Minister of **Commerce and Industry** be pleased to refer to the reply given to Starred Question No. 799 on the 6th December, 1954 and state :

(a) whether the report of the Jute Enquiry Commission has since been discussed with the State Governments concerned; and

(b) if so, the main points discussed?

The Minister of Commerce (Shri Karmarkar) : (a) Yes, Sir.

(b) The States were consulted on all the recommendations made by the Commission. It would, however, not be in the public interest to disclose the contents of official correspondence with the State Governments.

Phosphate Fertiliser

***657. Shri N. B. Chowdhury :** Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether it is a fact that Government have decided to leave the production of phosphate fertiliser to the private sector; and

(b) if so, the estimated quantity of phosphate expected to be produced by the private sector during the next five years?

The Minister of Industries (Shri Kanungo) : (a) Yes, Sir, as at present proposed.

(b) The answer to this question would depend upon the demand in the future. The demand has been recently estimated at 720,000 tons per annum by 1960-61.

Floods in Brahmaputra

***659. Dr. Ram Subhag Singh :** Will the Minister of **Irrigation and Power** be pleased to state :

(a) whether Government have received any communication from the Government of Tibet regarding the unprecedented rise in the water level of the Brahmaputra in its upper region;

(b) if so, whether Government have taken any precautionary steps to save the people who live along that river bank; and

(c) whether the embankments constructed on the Brahmaputra at Dibrugarh and elsewhere have been breached?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) The Chinese authorities in Tibet are transmitting flood warning wireless messages from Lhasa. These messages are being received by the P & T Wireless Station, Darjeeling and transmitted to flood control authorities at Dibrugarh and Shillong.

(b) The Government of Assam are taking such steps.

(c) No embankments were constructed at Dibrugarh. Elsewhere, the embankments have generally stood well though there have been a few breaches.

Co-operative Societies of Displaced Persons

***660. Shri D. C. Sharma :** Will the Minister of **Rehabilitation** be pleased to state the nature of assistance given to the Co-operative Societies formed for the rehabilitation of the displaced persons from East Pakistan?

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle) : (i) Rehabilitation loans *e. g.* House Building, Business loan, etc.

(ii) Assistance in securing licenses, Bus route permits, etc.

(iii) Assistance in obtaining raw materials.

(iv) Facilities for the sale of finished products, etc.

(v) Allotment of land

Goan Satyagrahis

284. **Shri Kamath** : Will the **Prime Minister** be pleased to state :

(a) whether it is a fact that some Indian Satyagrahis in Goa will shortly be tried by a Portuguese military tribunal;

(b) if so, the names of such Satyagrahis;

(c) whether the Portuguese Government has allowed them counsel of their choice; and

(d) if not, whether Government have asked the Portuguese Government to afford them such facilities ?

The Prime Minister and Minister of External Affairs) (Shri Jawaharlal Nehru) : (a) Yes.

(b) Sarvashri N. G. Goray and S. P. Limaye.

(c) and (d). Under Portuguese Law it is not permissible for Indian lawyer to appear in local courts or military tribunals. The Portuguese Government have, however, no objection to an Indian lawyer agains whom they have nothing adverse being granted facility to enter Goa and assist a local lawyer in a private capacity in defence of Sarvashri Goray & Limaye. The Goa Vimochan Sahayyak Samiti, Poona, is accordingly selecting a suitable lawyer, who will proceed to Goa shortly.

Orphangunge Market, Calcutta

285. **Shri H. N. Mukerjee** : Will the Minister of **Works, Housing and Supply** be pleased to state whether it is a fact that cases have occurred when extra contractual payments, ordinarily known as *Pugree*, have been demanded and received from allottees of holdings in Orphangunge Market, in Calcutta ?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): No, Sir. Whenever a holding falls vacant it is put to auction to give a fair chance to all those who are interested in taking it. The terms of the auction call for payment of a premium or initial fee (locally called 'Salami') in addition to fixed monthly or daily rent. This payment is not extra-contractual.

Superannuated Offices

286. **Shri D. C. Sharma** : Will the Minister of **Works, Housing and Supply** be pleased to state :

(a) the number of officers above the age of superannuation in his Ministry including its attached and subordinate offices at present ; and

(b) the number of officers who were compulsorily retired before attaining the age of fifty-five years in 1954?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) 223. [including Class II and Class III ministerial Government Servants who are normally allowed to continue till the age of 60 years in terms of F.R. 56(b) (i)].

(b) 1 on medical grounds.

A.I.R.

287. **Shri D.C. Sharma** : Will the Minister of **Information and Broadcasting** be pleased to state :

(a) whether Government propose to introduce broadcasts in Turkish on the A.I.R. ; and

(b) if so, when ?

The Minister of Information and Broadcasting (Dr. Keskar) : (a) and (b). No, Sir.

Development Projects

288. **Shri Ibrahim** : Will the Minister of **Planning** be pleased to state :

(a) the number and names of the development projects for which the Government of Bihar have asked for financial assistance from the Central Government for the year 1955-56; and

(b) the number and names of the projects for which aid has been sanctioned ; and

(c) the amount sanctioned in each case ?

The Deputy Minister of Planning (Shri S. N. Mishra): (a) to (c). The required information is being collected and will be placed on the Table of the House.

Surplus Stores

289. **Shri Ibrahim** : Will the Minister of **Works, Housing and Supply** be pleased to state the strength of the staff (gazetted or non-gazetted separately) of the

Disposals wing of the Director-General of Supplies and Disposals during the years 1953-54 and 1954-55?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): A statement is placed on the Table [*See* Appendix IV annexure No. 44].

Export of Monkeys

290. Shri Ibrahim: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the number of monkeys exported to foreign countries during the period from January to June, 1955; and

(b) the names of the countries to which they have been exported?

The Minister of Commerce and Industry and Iron and Steel (Shri T. T. Krishnamachari): (a) 72,884 monkeys.

(b) United States of America.
United Kingdom.
West Germany.
Denmark.
Netherlands.
Canada.
Itlay.
Australia.

Textile Mills

291. Shri S. C. Samanta: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the number of textile mills which had to close down since 1947 because of their old and worn out machinery and unbalanced equipment; and

(b) the number of textile mills which have been converted into purely spinning mills since 1947?

The Minister of Commerce and Industry and Iron and Steel (Shri T. T. Krishnamachari): (a) The total number of textile mills closed down since 1st December, 1948 is 26. [Figures for 1947 and 1948 (upto November) are not available.] It is not known how many of these closed down due to worn out machinery and unbalanced equipment.

(b) Nil.

तिब्बती याक

२९२. **सेठ गोविन्द दास** : क्या **वाणिज्य और उद्योग** मंत्री यह बताने की कृपा करेंगे कि १९५४–५५ में भारत के मार्ग से कितने तिब्बती याकों का निर्यात विदेशों को किया गया ?

वाणिज्य और उद्योग तथा लोहा और इस्पात मंत्री (श्री टी० टी० कृष्णमाचारी) : सन् १९५४–५५ में भारत से होकर तिब्बती याकों का कोई निर्यात विदेशों को नहीं हुआ।

पांडिचेरी में कपड़े की मिलें

२९३. **श्री के० सी० सोधिया** : क्या **प्रधान मंत्री** यह बताने की कृपा करेंगे कि पांडिचेरी के क्षेत्र में कपड़े की कितनी मिलें हैं और उनमें कुल कितने श्रमिक काम करते हैं ?

प्रधान मंत्री तथा वैदेशिक कार्य मंत्री (श्री जवाहरलाल नेहरू) : पांडिचेरी राज्य में कपड़े की ३ मिलें हैं जिनमें अब ३८९० मज़दूर काम करते हैं ।

Accommodation for Class IV Employees

294. Shri Gidwani: Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) whether it is a fact that a deputation of the Government of India Class IV Employees Association met him in Simla recently and pressed for better accommodation for them; and

(b) if so, the decision taken on their demand?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) Yes, Sir.

(b) The matter is receiving attention.

Silk

295. Shri Thimmaiah: Will the Minister of **Production** be pleased to state:

(a) the quantity of raw silk produced in the country during 1952, 1953 and 1954; and

(b) the quantity of raw silk consumed during the above period?

The Minister of Production (Shri K. C. Reddy): (a) and (b). A statement is attached. [*See* Appendix IV, annexure No. 45].

Permits for Goa

296. **Shri Raghunath Singh**: Will the **Prime Minister** be pleased to state the number of permits issued by the Indian Consulate at Goa during the last three months to Portuguese Nationals for entry into India?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): 5507 Goans (Portuguese national) were granted permits and visas to enter India during May to July, 1955.

Bhakra Nangal Project

297. **Shri D. C. Sharma**: Will the Minister of **Planning** be pleased to state:

(a) whether the Bhakra Nangal Project Control Board has submitted any schemes for inclusion in the Second Five Year Plan;

(b) if so, the nature of the schemes; and

(c) the estimated cost thereof?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) Proposals relating to the Bhakra Nangal Project will be presented to the Planning Commission by the Ministry of Irrigation and Power, and not by the Control Board. These are expected to be received in the near future.

(b) and (c). Do not arise.

Documentary Films and News-Reels

298. **Sardar Iqbal Singh**: Will the Minister of **Information and Broadcasting** be pleased to state:

(a) the number and details of documentary films and newsreels produced during 1955 so far;

(b) the languages in which these have been produced and;

(c) the total amount spent on the production of these documentary films?

The Minister of Information and Broadcasting (Dr. Keskar): (a) and (b). A statement is laid on the Table of the House [*See* Appendix IV, annexure No. 46].

(c) As already stated in reply to Shri B. D. Shastri's Unstarred Question No 363 on the 26th November 1954, direct and indirect expenses are incurred on the production of documentaries and newsreels by the Films Division. In the absence of regular cost accounting it would be difficult to state with any precision what the total expenses on documentary films are.

Imported Stores Purchase

299. **Sardar Iqbal Singh**: Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) the total value of purchases made during 1954-55 of imported stores by the Directorate-General of Supplies and Disposals;

(b) how much of this was made through Indian agents of foreign manufacturers and how much directly;

(c) the number of cases in which goods were received not up to specifications;

(d) the total value of such goods; and

(e) the action taken in each case?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) Rs. 3240 Crores.

(b) Through Indian Agents. Rs. 31·11 Crores

Direct . Rs. 1·29 Crores.

(c) Three.

(d) Rs. 23,850/-

(e) The three cases related to the supply of signalling cable. The cable being slightly below the specification as had been laid down, was accepted at a price reduction of 3 per cent with the prior concurrence of the indenting department.

Beryl Ore Deposits

300. **Shrimati Ila Palchoudhury**: Will the **Prime Minister** be pleased to state:

(a) the name of the private party which had been granted the mining lease for working the Beryl Ore deposits discovered in Andhra State

(b) the period for which the base had been granted,

(c) the condition of lease:

(d) whether the work on these deposits has begun;

(e) if so, from what date; and

(f) the quantity of Beryl obtained so far?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): (a) Shri P.C. Rangaraju, Government Contractor and Mine Owner, Dassanapeta, Vizianagaram.

(b) 20 years.

(c) A copy of the Government of Andhra, Department of Industries, Co-operation and Labour G.O.MS. No. 587 dated 7-3-1955 containing the conditions of the lease is attached. [*See* Appendix IV, annexure No. 57].

(d) to (f). The party has not commenced mining operations so far.

Delegations from Abroad

301. **Shri Kamath:** Will the **Prime Minister** be pleased to state:

(a) the number of foreign delegations that visited India during 1952-53, 1953-54 and 1954-55;

(b) the number amongst them which were sponsored and deputed by the foreign Government on theirs own and how many were invited by the Government of India;

(c) how many were treated as State guests during each of the aforementioned years; and

(d) the expenditure incurred by Government on their account in each year?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): The information is being collected and will be placed on the Table of the House.

Khadi Emporia

302. **Shri Ram Dass**: Will the Minister of **Production** be pleased to state:

(a) the number of Emporia started by the All-India Khadi and Village Industries Board up to June, 1955 state-wise; and

(b) the subsidy given by Government to each emporium during 1954-55 and in 1955 so far?

The Minister of Production (Shri K. C. Reddy): (a) The required information is given in the statement laid on the Table of the House. [*See* Appendix IV, annexure No. 48].

(b) No subsidy has been paid by Government to any of the Emporia. Government have, however, provided working capital to them. Re-Payments are made as and when sales take place.

The capital advanced, (upto June 1955) repayments made and the amount outstanding are given in the statement laid on the Table of the House. [*See* Appendix IV, annexure No. 48].

Residential Accommodation

303. **Shri D. C. sharma**: Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) the number of Government servants, drawing Rs. 250 p.m. and below, who have not so far been allotted any residential accommodation;

(b) the number of such persons who are in service from a date prior to the 31st December, 1944; and

(c) whether it is a fact that the allotment rules have so frequently been changed during the last 8 years that most of the senior employees have been adversely affected?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) and (b). Figures are readily available only for the category of Government servants drawing less than Rs. 250/- p.m. and not Rs. 250/- and below. A statement giving the required information in so far as Delhi and New Delhi are concerned is placed on the Table of the House. [*See* Appendix IV, annexure No. 49].

(c). No, Sir. While it may be that some of the senior employees may have been adversely affected, the changes generally secured overall the largest benefit possible to the largest number of Government servants.

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LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)

LOK SABHA

Wednesday, 10th August, 1955.

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER *in the Chair*]

QUESTIONS AND ANSWERS

(See Part I)

2 NOON

PAPERS LAID ON THE TABLE

REPORT OF TARIFF COMMISSION ON CONTINUANCE OF PROTECTION TO ARTIFICIAL SILK AND COTTON AND ARTIFICIAL SILK MIXED FABRICS INDUSTRY ETC.

The Minister of Commerce (Shri Karmarkar): I beg to lay on the Table a copy of each of the following papers, under sub-section (2) of section 16 of the Tariff Commission Act, 1951, namely:

(1) Report (1955) of the Tariff Commission on the continuance of protection to the Artificial Silk and Cotton and Artificial Silk Mixed Fabrics Industry.

(2) Ministry of Commerce and Industry Resolution No. 36 (3)-T.B./54, dated the 6th August, 1955.

(3) Statement under proviso to section 16 (2) of the Tariff Commission Act, 1951, explaining the reasons why the documents referred to at (1) and (2) above could not be laid within the prescribed period.

[*Placed in Library. See* No. S-246/55]

COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

THIRTY-THIRD REPORT

Shri Altekar (North Satara): I beg to present the Thitry-third Report of the Committee on Private Members' Bills and Resolutions.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

GO-SLOW MOVEMENT OF STEVEDORES IN CALCUTTA PORT

Shri Kasliwal (Kotah-Jhalawar): I beg to call the attention of the Minister of Railways and Transport to the go-slow tactics of Calcutta port stevedore labourers and request that he may make a statement thereon.

The Minister of Railways and Transport (Shri L. B. Shastri): Stevedore labour in the port of Calcutta started a go-slow movement on the 24th July 1955. The authorities were given no reasons for this sudden move. According to one section of labour the cause of the go-slow movement was the reported arrest of certain labour leaders. The arrests in question were made by the police on the 24th July 1955 on law and order considerations and the men were released on bail the next day. The go-slow movement however rapdily gained in intensity. Output was reduced to 50 per cent of normal in some cases and 12.5 per cent in others. With a view to prevent further deterioration of the situation, I asked the Secretary, Ministry of Transport, to proceed to Calcutta for an on-the-spot study and report. The Secretary held discussions with the leaders of all the unions

[Shri L. B. Shastri]

concerned, who formally dissociated themselves from the go-slow campaign. In order to meet situations of this kind which threaten to seriously affect the working of the port, the Calcutta Dock Workers (Regulation of Employment) Scheme was amended in May, 1955 conferring powers on the Chairman of the Dock Labour Board to declare, with the approval of the Government, the occurrence of an emergency under the scheme. When an emergency is declared, the Chairman is empowered, among other things, to hold enquiries against workers charged with indiscipline, go-slow, etc. and impose appropriate punishment on offenders. As in the opinion of the Chairman of the Dock Labour Board the situation in the port justified the declaration of an emergency under the scheme, such a declaration was made with the approval of the Central Government for a period of three months from the 1st of August 1955.

In the past two weeks, due to inter-union rivalry, several stray cases of assault including a case of stabbing have occurred among dock labour in the Calcutta port. These, I regret to say, culminated in a clash between rival sections within the office of the Regional Labour Commissioner on the 8th August 1955 resulting in injuries to some persons. The situation grew serious and the police had to use tear gas to disperse the crowd. Several arrests have been made and order is reported to have been restored since.

As regards stevedore labour output, there has been noticeable improvement which is being generally maintained although a few bad spots still continue to exist.

COMPANIES BILL —*Contd.*

Mr. Speaker: The House will now take up further consideration of the Companies Bill as reported by the Joint Committee. As the House is aware, 25 hours have been allotted for the general discussion on the Bill. The time-limit for speeches will be 30 minutes for Members and one hour, if necessary, for Leaders of Groups.

The Minister of Finance (Shri C. D. Deshmukh): I do not think it is necessary for me to go again into the history of this long-drawn measure. One way or another, the subject of company law reform has been before the Government for about nine years and therefore, nobody concerned with it can be accused of proceeding with any kind of haste. Some kind of strange destiny seems to be dogging this measure. That is to say, this question of company law reform, as the House is aware, was last comprehensively reviewed in 1936 but before the amended law had time to operate, the Second World War began and during the period that it lasted—that is to say, till 1945—there was a tremendous expansion in commercial and industrial activity. Money was very easy to make and there was an exaggerated feeling of confidence in the minds of enterpreneurs as well as the private investor. As a result, a great many ventures were launched soon after the war. But it soon became clear that all was not well with company management and that was how in 1946 the first step was taken to review again the working of company law.

Now, in these two decades that have passed from 1936, the economic scene has shifted and political conditions have altered profoundly and our ideologies and philosophies have, as a result, had a change—so rich and strange. Many new factors have emerged and our approach to old ones has also altered. But the basic aim remains the same, that is, encouraging and reasonably safeguarding private investment in fields which are not marked out for the public sector and regulating it for the common good. Sententiously, the overall objective could be defined as one of growing hedges rather than finding fetters for private enterprise.

It is in this conception of their duties that the Joint Committee addressed themselves to the task as well as in the light of observations that fell from hon. Members on the occasion of the first reading. They examined a large number of witnesses including representatives of some of the principal chambers of commerce, Bombay Shareholder's Association—by the way, which used to be and perhaps is a very vigilant body watching over shareholders' interests—Indian National Trade Union Congress, Indian Federation of Working Journalists, Institute of Chartered Accountants and the Incorporated Law Societies of Calcutta and Bombay. The Committee held as many as 61 sittings spread over a year while its two sub-committees held 8 sittings in the course of which they not only scrutinised the more important provisions of the Bill but also went through the schedules numbering 12 attached to it. The slim and lucid report which has been presented by the Joint Committee does not....

Shri Kamath (Hoshangabad): Slim?

Shri C. D. Deshmukh: Only the report and not the Bill—the report does not adequately reflect the earnestness and the equipoise that has gone into the consideration of this mammoth piece of legislation and I feel sure that the House would like to associate itself with me in paying a tribute to the work of the Joint Committee and its two sub-committees.

As the Bill was both an amending and a consolidating measure, it not only called for careful scrutiny of its detailed provisions but it also demanded a thorough re-examination of the basic principles underlying them especially in the light of present day plans and accepted economic philosophy. The task of the Joint Committee was, thus, exacting and arduous and it is due to their devoted work that it has been possible to take forward this measure another step.

The fundamental aim which the Joint Committee kept before itself was, as I said, to maintain the confidence of the shareholder and to ensure protection of his legitimate interests—sometimes inspite of himself in the interests of the national economy.

Now, Sir, although the Joint Committee has proposed many amendments in the Bill, hon. Members will find that the basic pattern remains unaltered. The amendments proposed by the Joint Committee cover some 170 clauses out of about 650 clauses now—649 clauses to be exact. In other words, more than 70 per cent of the Bill as originally introduced in Parliament has remained unaltered after the Joint Committee's scrutiny, thorough though it was. Of these, amendments proposed by the Joint Committee, a large number are either of a drafting nature or are consequential to re-arrangement of matter. If these are ignored the substantial changes proposed by the Joint Committee would be found to relate hardly to more than 100 clauses of which, so far as I can see, major issues of policy are not likely to account for more than 40 or 50 clauses. It is these 50 and odd clauses which include most of the controversial provisions relating to directors and managing agents. I thought it necessary to mention these figures to the House so that hon. Members could view the work of the Joint Committee in its proper perspective.

I do not propose to comment on all the changes proposed in the Bill by the Joint Committee, nor is such a course necessary. The more important of these have been already explained in the Committee's report and in the course of the debate we shall have ample opportunity of going through the provisions clause by clause. All I propose to do at this stage is to draw the attention of the House only to those amendments in the Bill which, in my view, require special consideration because of their possible effects on the structure and working of corporate enterprise in this country.

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Firstly, the provisions of the original Bill relating to the incorporation of companies and their capital structure. These have largely remained unaltered. But, if hon. Members look to clauses 84 to 89 of the Bill they will notice that the Joint Committee has made one important change in that it has withdrawn the powers which were sought to be conferred on the Central Government in the original Bill to sanction in special cases the issue of shares with disproportionate voting rights after the commencement of the new Act. Apart from this the general effect of the Joint Committee's proposals is to confirm the earlier proposals on this subject. These briefly are that future companies will have only two types of shares—ordinary and preference—and that the latter class of shares will have no voting rights except when the rights attached to such shares other than voting rights are likely to be affected by the acts and omissions of the company. Further, shares with disproportionate voting rights, where such rights are admissible, would be prohibitive and the existing companies which have issued such shares would be required to readjust their voting rights within a period of 3 years from the commencement of the new Act.

Next, as regards company procedure and company meetings the changes introduced by the Joint Committee are intended generally to increase the rights of shareholders. But, I believe the House will find that they are of no more than marginal important— I mean the changes. I am aware of the different views which prevail on the subject of rights of shareholders especially in regard to proxies in company meetings and the need for reconciling these rights with the harmonious working of Joint Stock Companies, but, as far as I can see, the amendments introduced by the Joint Committee do not go much beyond the principles underlying the provisions on this subject in the original Bill as introduced in Parliament.

On the important subject of inspection and investigation of the affairs of a company, the only specific changes introduced by the Joint Committee are that no firm or body corporate should in future be appointed as inspectors under the Companies Act and the power which was conferred on inspectors to carry on investigation into the affairs of related companies or managing agents or their associates can be exercised now only with the approval of the Central Government. The Joint Committee felt that it was necessary to provide for the safeguard against possible roving and futile enquiries which were not likely to serve any useful purpose.

In this connection I should like to say a few words about the provision relating to company accounts and company auditor. Hon. Members will remember that Schedule VI of the Bill provide for a standard form of balance-sheet and lay down in detail the manner in which the contents of profit and loss account should be cast. The Joint Committee approved of this provision subject to the condition that where the accounts of a company were governed by any special Acts as in the case of banking, insurance or electricity supply companies, the provisions of the special Acts relating to such companies were to prevail over the provisions of the Bill.

On a further consideration of clause 210 of the Bill as now drafted it seems to me that it may be necessary to move a small drafting amendment to make our intentions in this respect perfectly clear.

As regards conditions relating to auditors, the Joint Committee has more or less confirmed the provisions of the original Bill except in one important respect. The Committee thought that the discretionary authority vested in the Central Government to recognise chartered accountants other than members of the Institute of Chartered Accountants should be limited to the recognition on a reciprocal basis of only accountants possessing foreign qualifications and training. Accordingly, clause 211 of the original Bill was recast in the manner indicated in clause 225. The Institute of Chartered Accountants also fully appreciate the need for a reserve of authority in the Central Government for the purpose of recognising chartered accountants qualified abroad on a basis of reciprocity. They are anxious that these powers should be conferred on the Central Government not by the Companies Act but by a suitable provision in the Chartered Accountants Act, 1949. We have agreed to accept this recommendation of the Institute and have already introduced a very short Bill in the current session suitably to amend the Chartered Accountants Act. On the assumption that the House will accept this amendment in the Chartered Accountants Act, I propose to move in due course for a consequential amendment of clause 225 of the Companies Bill suggesting the deletion of the provision which confers this discretionary power on the Central Government.

Now, I shall turn to the provisions of the Bill relating to the important subject of directors. As I have already said, by far the most important changes proposed in the Bill by the Joint Committee concern the provisions relating to these and to managing agents. It would, however, be wrong to conclude from this fact that the Joint Committee has introduced many new principles in these amendments. I would illustrate my argument with a brief analysis of the two new clauses of the Bill for which in certain quarters the Joint Committee has been criticised—clauses 264 and 407. The new clause 264 inserted by the Joint Committee provides that it would be open to a company to lay down in its articles that no less than two-thirds of the total number of directors of a public company or a private company which is a subsidiary of a public company may be elected to its Board on the principle of proportional representation. Where a company chooses this particular form of election to its Board. this clause further provides that the appointment of directors may be made for a period of three years at a time. This is a permissive provision which does not in any way interfere with the rights of a company to decide on the best form of election of directors on its board. According to our information, a great majority of the federating States in the United States of America provide for this method of election to the boards of companies in their corporation laws. Whatever may be the advantages of this method of election,—and I submit that one cannot be dogmatic about this in the absence of experience in our own country—I do not see how the powers conferred on a company to regulate the method by which it can elect its members on its board can be described as an innovation alien to the structure of Joint stock companies. Indeed, some hon. Members who were Members of the Joint Committee are not content with this permissive provision and would like a statutory provision in this behalf. When they raise the issue, as I have no doubt they will, I shall have occasion to deal with that particular aspect of the argument. Briefly, one might say that it is not axiomatic that the accepted form of democracy which obtains in regard to our political institutions would be *prima facie* unsuitable also for the management of industrial enterprises.

The other new clause, 407, inserted by the Joint Committee which again in some quarters has been described as an innovation inconsistent with the basic principles of company legislation, empowers the Central Government to appoint not more than two persons being members of the company to hold office as its directors for such period not exceeding three years as the Central Government may prescribe. It will be noticed that before such appointments can be made, the Central Government must be satisfied, on the application of the members of the company holding not less than one-tenth of the total voting power, that it is necessary to make such

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appointments in order to prevent the affairs of the company from being conducted in a manner which is oppressive to any members of the company or is prejudicial to its interests.

What I would like the House to notice in this connection is that the power conferred on the Central Government is one which would be exercised by it entirely at its discretion and only if it is satisfied that it is necessary for it to exercise the power for the purposes mentioned. If hon. Members will refer to the other provisions inserted in the Bill for safeguarding the interests of minority shareholders, provisions which have received general support, they will notice that all that this new clause 407 does is to extend to the executive Government some of the extensive powers which under the other clauses have already been conferred on the courts. But I recognise that it is possible to have a wide difference of opinion in matters of this kind and I should welcome, at the appropriate stage, the comments of the House on this provision. But the point I wish to make is that the changes proposed by the Joint Committee can hardly be said to go beyond the principles of the Bill as originally conceived. Indeed, it seems to me that there is some confusion on this subject in the minds of those who have criticised these provisions. What the Joint Committee had before it was the consideration of the entire subject of company law reform on the broad pattern outlined in the original Bill and not merely the details of the actual provisions contained in it. I made this clear, and the House might recall, in the course of my reply to the debate on the motion for reference of the Bill to the Joint Committee. I said that "the all-pervasive principle of the Bill is that the present company laws stand in need of amendment. Therefore, all the observations that have fallen from the hon. Members are observations which will be for the consideration of the Joint Committee". Nothing, so to speak, was barred.

Now, I turn to an important provision introduced by the Joint Committee relating to the remuneration of directors, which also has been the subject of some controversy. The House will remember that while the original Bill provided for a ceiling on the remuneration of managing agents and also imposed a limit on the percentage of the net profits of a company which might be paid to its directors by way of a commission, there was neither any ceiling on the total remuneration of directors nor any limit on the overall managerial remuneration of a company. The Joint Committee, has, therefore, inserted a new clause; clause 197, which lays down an overall limit of 11 per cent. of net profits for all types of remuneration which may be paid by a company to its top management, that is to say, managing agents, where there are managing agents, managing directors and managers. Where a company earns no profits or its profits are inadequate, the clause further provides that the overall managerial remuneration for all managerial staff should be Rs. 50,000 a year.

This is the maximum which has also been prescribed in similar circumstances for managing agents under clause 352. But in that case it refers to commission, whereas here we are considering all forms of remuneration including salaries except fees earned by directors for attending the meetings of the company. As I said, salaries and all other types of remuneration are included in it. I might say that the original Bill excluded salaries. But the Joint Committee thought that salaries ought to be included, as otherwise this limit which they provided was likely to be circumvented. I have received representations criticising this provision on the ground that this overall limit would be inadequate to remunerate wholetime directors or managing directors of new big companies, especially in their constructional or earlier stages when obviously no profits are likely to be made. It has also been pointed out that in some industries there might be losses even in the case of growing concerns if these industries are subjected to large fluctuations in their net profits owing to circumstances beyond their control. Therefore, it has been urged that if this provision is retained in its present form, it will be extremely difficult, if not impossible, to run large-scale enterprises in this country. It has been pointed out that many big concerns require more than one wholetime managing director and in such cases, it is said, it would be impossible to attract adequate managerial talent to industry on the basis of the remuneration provided in this clause. It should be remembered that this clause will apply even to managing agency companies which are public limited companies that is to say, where there are not sufficient profits, even the directors of the managing agency would have to share this remuneration of Rs. 50,000 in a year in which, as I said, either there are no profits or there is a loss and it is possible that such managing agency companies might be maintaining executive directors—three or four, or certainly more than one. I am sure that there is a real difficulty here and that nobody in this House would desire the industrial development of the country to be hampered by inadequate remuneration to the top management of joint-stock enterprises. So, the real problem here, as in other parts of the Bill, is to reconcile the legitimate requirements of trade and industry with a balanced view of what should be an appropriate level of personal income for different types of managerial talent. It is from this point of view that I have been considering this question for sometime past and I expect to move in due course a suitable amendment to this clause, which will, in my view, reconcile the two-fold objectives which I have mentioned above by conferring powers on the Central Government in cases of proved hardship to relax the provisions of this clause under suitable conditions and put proper safeguards; but the matter is open for the consideration of any other way equally suitable out of this difficulty.

I do not wish at this stage to comment on the other changes introduced by the Joint Committee on the subject of directors. I feel sure they will receive adequate treatment during the clause-by-clause consideration of the Bill. I should, however, like to clarify one issue of general policy which has been raised from time to time. It has been suggested in some quarters that in view of the general attitude which the Joint Committee has adopted towards the managing agency system, it was up to the committee to offer suitable facilities or inducements to companies to develop alternative forms of management through directors. Instead, they complain that the Joint Committee has imposed some further needless restrictions on directors. Now, it is not clear to me what the sponsors of this view have in mind. It is possible to conceive of facilities or other inducements to companies managed by directors which may be denied to companies managed by managing agencies, although in my opinion, such a course would be very inadvisable. But, it is not easy to see what differential provisions could be made in the Companies Bill in favour of directors. The restrictions which have been imposed on directors are the same as those imposed on managing agencies and are intended for the same purpose in either case. While it must be the desire of all of us to give reasonable facilities and encouragement to companies run by honest directors, we cannot obviously in the light of our past experience overlook the fact that abuses in company management which we seek to prevent have occurred not only in companies managed by managing agents, but also in companies managed by directors. The Government's general policy has, therefore, been to impose such restrictions as they consider necessary to prevent the abuses and malpractices, irrespective of whether they occur in one type of company or another. If, consistent with this basic policy, it is possible to provide suitable facilities or encouragement

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for this form of company management or any other, then certainly we are all bound to entertain constructive sugestions in this behalf.

Now, I come to the subject of managing agents. It is a truism to say that no part of the Joint Committee's report has evoked so much comment and controversy as the amendments proposed by it relating to this subject. And yet, I cannot help thinking that the pragmatic approach of the Joint Committee towards this difficult and complex subject is the only correct and realistic attitude to take in the present circumstances of this country. It is easy to take sides on an issue like this on a purely ideological plane, but I do not see how practical men can commit themselves to dogmas and can adopt any other attitude than the one that has commended itself to the Joint Committee; nor can I see how any responsible Government could take a sweeping decision in a matter of this importance on purely *a priory* considerations, paritcularly in view of the Government's heavy responsibilities and commitments in connection with the Second Five Year Plan. The recommendations of the Joint Committee with which Government are in accord have, it seems to me, wisely steered clear of extreme views on either side. They have avoided committing Government in either direction, but have conferred adequate powers on them to decide on an appropriate policy in this matter by the end of the next plan period in the light of their experience of the working of joint-stock companies under the new Act and especially in the light of the behaviour of managing agents in future. Thus, there is no outright prohibition of the appointment of managing agents in the Bill, except in the case of companies which already have managing agents or are themselves managed by others. But, power has been conferred on the Central Government under clause 323 to notify from time to time the types of industry or business in which there shall be no managing agent at the expiry of 3 years from the date of the notification or from 15th August, 1960, whichever is later.

Here, perhaps, it would not be out of place if I bring to the notice of the House the considered views of the Bombay Shareholders' Association because, after all, apart from the general economic interests of the country, it is the shareholders for whom we are seeking to ensure reasonable protection. This Association, as hon. Members may know, has been responsible for some years now for focussing attention on the abuses and malpractices of company management in this country and has been drawing the attention of the Government to the urgency of Company law reform. In their memorandum submitted to the Joint Committee and in the course of their evidence before the Joint Committee, the representatives of this Association clearly defined their attitude towards the managing agency system. I quote below from the memorandum:

> "A sudden termination of the managing agency system, in our opinion, is undesirable, because it will disorganise industrial management and therefore retard any new industrial development which we regard as vital. We are, therefore, of the opinion that while the managing agency system may be continued at present, its working, financial, managerial, business and other aspects should be reviewed after 5 years to ascertain exactly the services which the managing agents render to the industry in the changed economic climate in the country now prevailing."

The House will know that this is precisely what the Joint Committee have attempted to do in the basic provisions of the Bill relating to managing agents. The Committee have devised proposals which seem to be in accord with he interests of the shareholders as represented by this Association as well as to accord with the general economic interests of the country. It seems to me that if concrete decisions are to be taken at a later stage, they would be taken in an atmosphere which would be free from the acerbities of the current controversy and also in the light of the performance of managing agents under the amended law that may be passed by Parliament.

One indication of the manner in which this is regarded by the private investor generally is furnished by the state of health of the stock exchanges in the country. If the private investors had felt that the provisions in the Bill as reported by the Joint Committee held a risk or jeopardy to their own interest, then, one would normally expect that stock exchange values would suffer or tumble down. But, as a matter of fact, the level of quotations reflects quite a different state of affairs. It seems to indicate that the private investor is feeling confident about the future.

Another important amendment proposed by the Joint Committee to which I should like to make a passing reference is the provision in clause 331 that no person shall be appointed a managing agent of more than 10 companies from 15th August, 1960. Then, there is the provision of clause 325 that all new appointments of managing agents or re-appointments of existing managing agents after the 15th August, 1960, will require the prior approval of the Central Government, and that such approval will be given only if the Government are satisfied (a) that it is not against the public interest to allow the company to have a managing agent, (b) that the managing agent is a fit and proper person to be so appointed or re-appointed, and (c) that the managing agent proposed to be appointed or re-appointed, has fulfilled the conditions which the Central Government may require him to fulfil.

[MR. DEPUTY SPEAKER *in the Chair*]

Then, there are the provisions of clause 344 which provide for the prior approval of Government of all hereditable managing agency agreements and succession to the office of managing agents by inheritance or device. There is also a provision relating to changes in the constitution of managing agency firms or companies, the remuneration of managing agents, etc., which I think are well known and well understood. I am not commenting on these provisions which to me seem self-explanatory, except to draw the attention of the House to the fact that apart from clause 331 which limits the number of companies which a managing agent can manage, all the other clauses are no more than an extension of the provisions of the Indian Companies (Amendment) Act of 1951. What was supposed to be transient or temporary in that Amendment Act is now sought to be made permanent.

I now come to the new provisions of the Bill relating to Secretaries and Treasurers. In a sense, these provisions were perhaps not necessary, because there was nothing in the Bill which would prohibit the appointment of Secretaries and Treasurers. But, it was felt that that being so, there should be positive provisions in order to regulate some matters in connection with this, especially their remuneration. The institution itself is by no means unknown to company management in this country. But, the wide vogue which the managing agency system has hitherto enjoyed in this country has stood in the way of the more extensive use of this form of management. In its essence, this institution seems to be nothing but a form of management through corporate managers. If I may say so, the Joint Committee have made a valuable

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contribution to the growth and development of an alternative form of management by their proposal to recognise this kind of management formally in the Companies Act. There are, of course, views both for and against this. But, if hon. Members will carefully read the provisions of clauses 378 to 383, which deal with Secretaries and Treasurers, they will have no difficulty in appreciating the object underlying them. While the Joint Committee was anxious to prevent the concentration of economic power in the hands of a few managing agency houses with long established tie-ups with financial institutions like banks and insurance companies, it was equally anxious to ensure that no sudden vacuum was created in the organisation of trade and industry by a possible decline or disappearance of the managing agency system in some sectors by 1960. They recognise that the Secretaries and Treasurers would have no economic power. That is to say, it would be the managing agency system without its teeth. Therefore, they were concerned to develop a form of management which would preserve all that was good, as for instance, the pooling of technical competence, in the institution of managing agents by denuding it of its power to dominate the affairs of the managing companies. Secretaries and Treasurers would not be entitled by virtue of their agreements alone to have any representation on the Board of Directors. For myself, I do not see that there is any inconsistency between this anxiety to prevent the concentration of economic power and at the same time to try to retain for trade and industry those benefits of large-scale and expert management and supervision which at least the best among the managing agency houses have always conferred on the companies managed by them.

Now, I wish to say a few words about Government companies. The House will remember that in the course of the debate on the motion for referring the Bill to the Joint Committee we made it clear that Government would place before the Joint Committee a special chapter containing special provisions dealing with Government companies, that is to say companies in which Government had a defined predominant financial interest. In pursuance of this undertaking, a set of special provisions applicable to Government companies was drafted and placed before the Joint Committee for its consideration. The Committee considered this draft, but decided that it would be better to revert to the arrangement of the original Bill. It was of the view that the exemptions and modifications which the standard provisions of the Bill required in order to make them applicable to Government companies could not be framed on a uniform basis as the amount of Government's interest in, and the nature of the activities carried on by, the various Government companies differed, or might differ, very widely. Each case, therefore, the Committee thought would have to be decided on merits and the only authority which could possibly be entrusted with this function was, in their opinion, the Government. In this view the Joint Committee suggested that only the minimum of provisions relating to Government companies should be incorporated in the Bill, leaving Government free to modify the Act in relation to Government companies in the light of the requirements of each individual case subject to the condition that every notification issued by Government exempting a Government company from, or modifying in relation to such company, the provisions of the Bill should be laid on the Table of both the Houses of Parliament as soon as possible after the issue of the notification. I trust that the House will find this arrangement generally satisfactory.

There have been some discussions between my Ministry and the Comptroller and Auditor-General in regard to audit, and I propose at the appropriate stage to move some amendments to the existing provisions of the Bill relating to Government companies in order to ensure more effective control over the audit of such companies by the Comptroller and Auditor-General and to provide that the results of such audit are readily available to Parliament.

Now, there are a few other amendments which it might be necessary for us to move, either to make the intention of the Joint Committee clear or to overcome practical difficulties which may arise from the operation of some provisions of the Bill as drafted. There are a few other amendments largely of a drafting nature and I shall of course draw the attention of the House and explain them as we go through the Bill clause by clause. It should be recognised that there can be no finality to such drafting changes and indeed there can be no limit, in theory, to drafting improvements and refinements if one could ignore the limitations of time and space, but I can assure the House that we have exerted ourselves to see that such amendments are kept down to what we regard as the essential minimum.

It is futile to claim perfection for a measure of this size and complexity and I am fully aware that, notwithstanding the amendments which we intend to move and which perhaps other Members might wish to move, the Bill, even after it is passed by the House, might contain defects and deficiencies which might not have come to light. Nobody who is familiar with the development of company law in other parts of the world....

Shri Kamath: Further amending Bills may be brought.

Shri C. D. Deshmukh: That is what I am saying.

Shri Gadgil (*Poona—Central*): Bad company. Do not listen to him.

Shri Kamath: Is listening to you worth while?

Shri C. D. Deshmukh: I was going to say that nobody who is familiar with the development of company law in other parts of the world need feel unduly depressed by this fact. It is in the essence of company law that it must not only grow with the growing needs of trade and industry, but also by re-shaped from time to time to meet unforeseeable changes in company practice as may result either from developments in techniques of production or investment, or may be contrived by the wit of man to evade the provisions of the existing law, and for what I know many wits are already busy at this game. Indeed, the success of company law in any country depends on the promptitude with which it can adjust itself to meet changes in the structure and functioning of companies in future as well as in the alterations that take place in basic philosophies.

The House might recall that in my speech moving for reference of the Bill to the Joint Committee, I had outlined the plans which I had in view for the administration of the Companies Act and related matters. I then explained why we had taken a provisional decision not to set up a statutory commission as recommended by the Company Law Committee, but had added that in this matter as in many others Government would be guided largely by the views of the Joint Committee. The subject was discussed at some length in the committee and finally the Committee approved of the establishment of a strong central organisation for the administration of companies and related subjects. The Committee favours the establishment of a central department functioning directly under the Minister in charge, and the more I think of it, the more I consider that it is a right decision. There are so many powers the exercise of which involves the decision of questions of policy and I cannot readily conceive of any statutory commission which is bound to be autonomous exercising these kinds of powers on behalf of

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Government, because their exercise goes to the root of the economic conditions in the country. Therefore, I think the House would approve of the arrangement recommended by the Joint Committee. They will be glad to know that we have already acted on this in advance of approval by the House and have set up a new department within the Ministry of Finance for this purpose. The responsibility of this department will include not only the administration of the Companies Act, but also such other institutions as are closely connected with the operation of companies, *i.e.*, stock exchanges, financial corporations, capital issue control etc.

Shri A. M. Thomas (Ernakulam): Are banking and insurance also included?

Shri C. D. Deshmukh: Banking and insurance are not included because they have ramifications which react on other aspects of economic policy, and at the moment I think it would be best if they are left to be administered as they are through the Reserve Bank so far as banks are concerned and through the Controller of Currency so far as insurance is concerned.

Mr. Deputy-Speaker: Controller of Insurance or Currency?

Shri C. D. Deshmukh: Controller of Insurance under the Secretary of Economic Affairs. That raises questions of savings and investment and so on which is a somewhat different set of problems than those posed by company management. It will necessarily take some time to build up this new department and it is my hope that when it is fully staffed and equipped with the necessary expertise it will prove to be a major factor in the proper functioning of the private sector of our economy.

I would, in this connection, draw the attention of the House to clause 409 which provides for the establishment of a statutory advisory commission to be attached to this department. As soon as the Act comes into force, we shall take steps to set up this advisory commission which will replace the present *ad hoc* advisory commission which, as hon. Members may be aware, even now advises Government in certain matters relating to the working of joint stock companies. In future, the permanent advisory commission will have the duty of advising Government in respect of those matters which are specifically provided in the Bill. It will also be open to Government to refer to it any other matters for their advice. It is my hope that in course of time this advisory commission will help Government to build up sound traditions for regulating the working of joint stock companies in this country and assist the new department in the discharge of its onerous responsibilities.

1 P.M.

The House might be interested to know that Government's approval one way or the other is required under about 94 or 95 clauses, at least 50 of which involve decision on questions of policy. Now, it may also prove necessary to set up other technical advisory bodies to assist the new department.

I am aware that some Members of the Joint Committee do not feel very happy about the departmental organisation, and the powers of detailed regulation which have been conferred on the Central Government under the provisions of this Bill. Well, I can assure the House that we feel no less worried by the heavy burden and responsibility which the Bill will cast on us, and nothing would have pleased us better, had it been possible to frame the provisions of the Bill in such a way as to reduce the need for detailed regulation to a minimum. But the House should appreciate that the obligations which have been cast on the Central Government are only a measure of the complexity of the Bill.

In this connection, I would like to recall what I said when I moved for the reference of the Bill to the Joint Committee. I often quoted the observations of Lord Cohen, who was chairman of the Cohen Commatter on company law reform in the United Kingdom, and is himself a great authority on commercial and mercantile law in that country. Those observations will bear repetition in the present context. He said:

> "No model system of company law could be satisfactorily administered except through a strong and competent civil service, for it was of the essence of any such system that effective powers must be given to the executive, and a large measure, of discretionary authority must of necessity be vested in the organisation responsible for the adminstration of the Company Act."

I added at that time that I fully shared these views, and that as far as I could see, if the twin requirements of the effective regulation of company affairs and the need for flexibility in law and administration were to be secured, there was no escape from the conferment of extensive powers on the authority responsible for the administration of the Companies Act. Since Government have taken the view, a view which has now been endorsed by the Joint Committee, that this responsibility cannot be properly delegated to any authority outside Government, the only issue of practical importance seems to be whether the internal structure and working of the Government Department entrusted with this responsibility would be such as would ensure effective control and supervision over the actual exercise of powers by it.

The Joint Committee was anxious to ensure that the more important of the powers conferred on the Central Government should be exercised with the approval of and under the guidance of the Minister in charge. I can assure the House that I fully appreciate the Joint Committee's anxiety, and it will be my constant endeavour to keep myself fully informed of the activities of the new Department and any other authority under its general control which may be charged with the day to day working of the Act.

Generally speaking, it is a question of a Joint collaboration between the regulating authority and those whose affairs are regulated. So, here is a question of the maintenance of law and order, so to speak, in the private sector, as well as the question of its development on sound and healthy lines, especially in view of the Plan and the place it gives to the private sector, and to the private investment and to the volume of total savings of the community. I think the House would recognise that it is not always possible by fiscal instruments to bring out all possible savings by taxation or borrowing or any kind of forced levies or forced saving. And therefore, there are other kinds of inducements, as for instance a reasonable profit, which are necessary, if the community is to be stimulated to do its best for the common good.

The vesting of these powers of regulation in Government does not mean that they will be exercised or need to be exercised every now and then. While it may be true that uncontrolled power corrupts, it is no less true that the possession of power itself often obviates the necessity of its exercise. And that has been borne out by our experience of the working of the temporary amendment Act of 1951. I am not aware of any serious complaints having been made by the interests concerned either of delay or of harasssment or of oppressive decisions. Nevertheless, there is a certain amount of current bitterness about these matters, and I should therefore like to bring in here a bit of Kandy—I mean the old kingdom of Kandy in Ceylon.

Shri Kamath: Not sugar-candy?

Shri C. D. Deshmukh: No, not sugar-candy.

Some hon. Members' might remember that the old Kandyan kings had two joint prime ministers called *adikars*, who halped them to wield their authority. It is recorded that these two *adikars* had the right to behead one Kandyan citizen at the end of every year without assigning any reason whatsoever. Now, it is not known to me how they exercised their powers, but I think it is recorded that the possession of this right by them did the trick and kept their unruly flock under reasonable control. We cannot, and we do not wish to, emulate the Kandyan *adikars*, but I think the powers....

Mr. Deputy-Speaker: What did they do between themselves? Each one of them had power to cut one man's throat a year.

Shri C. D. Deshmukh: I think implicity the other joint *adikar* was excluded.

So, I feel sure that the House will agree that the existence of this battery of comprehensive powers is something like the power of the Kandyan kings, although we may not exercise them in exactly the same way, and therefore, we are confident that the possession of these controls will prove to be equally effective in our case.

Mr. Deputy-Speaker: Motion moved:

> "That the Bill to consolidate and amend the law relating to companies and certain other associations, as reported by the Joint Committee, be taken into consideration."

We have received notice of two amendments to this motion, both by Shri Vallatharas.

Shri Vallatharas (Pudukkottai): I am moving only the second amendment.

I beg to move:

> "That the Bill, as reported by the Joint Committee, be recommitted without limitation to the Joint Committee with instructions to report on or before the 31st December 1955."

Mr. Deputy-Speaker: I would like to know from the hon. Member how this is not a dilatory motion. *Prima facie*, it seems to be a dilatory motion. I would like to hear the hon. Member on this matter only, and dispose of this before we proceed to the general discussion. If this is allowed, then discussion will proceed both on this original motion as also on the other motion; if this is not allowed, then it will be, of course, on the original motion only.

Shri Vallatharas: Some serious charges have been levelled in the press, so far as Government and the Select Committees are concerned, namely that the Select Committees have been used as instruments for bringing in radical measures, after Government had at the outset stated moderate measures only; secondly, the Joint Committee is charged in the press with not having done its duty in respect of certain matters, so far as draftsmanship and the policies to be considered are concerned; and above all, so far as the policy is concerned, the question of managing agency has not been taken into consideration by the Joint Committee, that is, the financial policy bearing upon the managing agency system. All the attention has gone to the management by them and also the procedure to be adopted in the course of the management, but not on the bearing of the managing agency system so far as the financial policy is concerned. If this has to be considered, there should be a unanimous verdict for the abolition of the entire managing agency system and not to linger to it. These are some of the things that

I want to bring to your notice, and if you permit, I will go on.

Mr. Deputy-Speaker: Has the hon. Finance Minister anything to say on this. He says there are a number of things which appeared in the papers and, therefore, without limitation, the Bill must be recommitted to the Joint Committee.

Shri C. D. Deshmukh: It is *non sequitur*. There are a number of things which appear in the papers.

Mr. Deputy-Speaker: I want first to dispose of this amendment. Under rule 323, it is open to me, if I consider it to be dilatory, to rule it out of order. Or I can immediately put of question to the vote of the House. I need not wait until the general discussion on the main motion takes place. In view of that, I asked the hon. Member to explain it to the House.

Shri C. D. Deshmukh: In view of the facts I have given in the course of my speech, I am firmly convinced that it is a dilatory motion.

Shri S. S. More (Sholapur): Is he giving a ruling?

Mr. Deputy-Speaker: It is his opinion. The ruling is mine or the House's.

So far as this Bill is concerned, I believe there was a Committee which gave a long, big report. The Company Law Committee went into the whole matter, sat for a long time, and thereafter the Bill was introduced. Then it was refered to a Joint Committee. It held 61 sittings, and a number of witnesses have been examined. No witness has been rejected. Every opportunity has been given. Ultimately, it is always open to the Joint Committee to come forth with its own decisions, and it has placed them before this House for vetting. The Government always have an opportunity to exercise their influence. I would like the hon. Member to consider how, even if this should be sent back to the Joint Committee, the Government will not be in the picture. If Government have exercised some undue influence last time over the Joint Committee, they will still continue to exercise the same undue influence with respect to the same Joint Committee. I do not know how it will improve matters.

Shri S. S. More: We are not prepared to take such a bad view of Government.

Mr. Deputy-Speaker: I am glad.

Then it says it has to be recommitted without limitation. I can understand if there are any specific points to be sent back. This is a roving inquiry which will never be completed even by the 31st December—I think the hon. Member should have put down '1956' because even by then, if all the matters should be recommitted, there may not be sufficient time. This is my view, but I do not want to proceed merely on my view that this is a dilatory motion. Under rule 323, I will put this question straight to the vote of the House.

The question is:

> "That the Bill, as reported by the Joint Committee, be recommitted without limitation to the Joint Committee with instructions to report on or before the 31st December 1955."

The motion was negatived.

Mr. Deputy-Speaker: The House will now proceed with consideration of the motion moved by the hon. the Finance Minister.

Shri Asoka Mehta (Bhandara): When this particular Bill was first moved by the hon. the Finance Minister, he had approvingly quoted from the Company Law Committee's Report, saying that the company law is primarily concerned with means and not ends. It is true that company law is primarily concerned with means, but means have to be harmonised with, and have to unfold into, the ends that we have placed before ourselves. While this particular Bill must be approached primarily from

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the functional point of view—for the functional considerations are important—we cannot divorce, nor ignore completely, the ideological implications, I have no desire to dwell very much on the ideological implications, but I would like to point out that in the last nine years, and particularly in the last year or year and a half, when this Bill has been passing through the stage of incubation, certain major clarifications or pronouncements have been made by this Parliament about the social ends that we seek, and it is necessary to see how far this Bill has been brought in harmony with the new ends that we have chosen.

A serious charge has been made against this Bill, that it is likely to endow the Government with vast powers and it is likely to interfere with the normal working of companies where, as our industrialists have been arguing, some kind of democracy of shareholders should be permitted to prevail. If this is happening, it is mainly for two reasons. Firstly, small shareholders have been found from experience to be incapable of exercising the powers that theoretically as shareholders they possess. While the inability of the shareholders to exercise their powers is a universal phenomenon, in India the situation has been worsened, to a considerable extent, because of proved mismanagement in a number of cases by the managing agents concerned. Here we have before us the memorandum which was prepared by the Bombay Shareholders' Association, to which a fitting tribute has been paid by the Finance Minister, and therein we shall find that something like 40 managing agents had mismanaged the affairs of companies involving a capital of Rs. 80 crores. When these things have been happening, it is necessary that the State should step in and take a serious view of the mischief that has gone on. As the Mover has explained, the need for revising and amending the company law arose from the fact that this mismanagement has existed in the past. But there is another aspect of the question also to which attention needs to be given. It is not always realised that there is what is known as the social cost of private enterprise. I have no desire to go into the details of it, but Prof. William Kapp in his book *Social Costs of Private Enterprise* has worked out even statistically, as far as it is possible, the social costs of private enterprise in the United States of America. Here also, private enterprise does not take into consideration, when costs are calculated, the tangible and intangible social costs, and it is the duty of this House, the custodian of the welfare of our people, to see that care is taken that private enterprise does not grow at the expense of or by piling up of social costs upon the community. All the same, I agree with the Mover that our approach to the Bill should be from the point of view of functional efficiency because we are likely to expand the private sector considerably in the Second Five Year Plan period, and we are anxious to see that conditions are created where this development can become healthy and fruitful. And, it is mainly with that consideration in view that I shall make my observations on the Bill.

Before I turn to the provisions about managing agents, I would like to dispose of some of the minor points. In the Bill, only two types of shares have been provided. I do not know why the Joint Committee and, perhaps, the Government also thought it proper not to consider other types such as convertible bonds or qualified dividend instruments. These are, as the Mover knows, quite popular on the European continent and I would never have brought up this matter if I had not noticed, in the course of my study, that debenture finance seems to be becoming more important than it has been in the past. I find from the account that has just been published in the Reserve Bank of India bulletin on company finances that while debentures contributed 2.5

ır cent of the liablility of the com-ıny, with all the 700 and odd com-ınies taken together, in 1951 and ı52, for which the survey has been ıade, debenture finance has contri-ıted as much as 33 per cent of fresh ınds raised. If that is so—I do not ıow what has been the position after ı52 because the latest available in-rmation takes us only to 1952—and debentures are playing an impor-nt part, it may be that our capital arket may become more responsive the needs of our industry if ıms such as convertible bonds and ıalified dividend instruments are so thought of to be introduced.

Then, I find that the Joint Com-ittee has thought it proper to eli-inate completely and totally any nd of shares with plural voting. I n understand that normally that ıould be so. But, I find that in erman Company Law a special pro-sion is made. The issue of such ıares—

> "was an efficient means of preventing control over industrial companies from passing into foreign hands; it was particularly sound to give shares with plural voting rights to public authorities in order to safeguard public interests and to break the influence of speculative shareholders. In the Hamburg Overhead Railway Company one share only was owned by the State of Hamburg, but that share carried 48,900 votes."
> (Manual of German law, p.242).

I am in complete agreement with e Joint Committee when it rules out ıy share with plural voting nor-ally. But, whether in extraordi-ıry circumstances—I think in the iginal Bill the Government was ıthorised to permit shares with ural voting—whether that kind of ntingent power should not remain ith the State and whether it is wise take away such contingent power a matter which I would like the ouse to consider once again. Be-ıuse in some countries of the world, ıidently, it has played a socially ılpful role. I know these shares with plural voting right have very often been misused by the management but in the context which I have suggested it they can, perhaps, play a socially useful role.

As far as the voting rights are concerned, the Mover has pointed out that proportional representation would be permissible; it need not be statutory. He also referred to the minute of dissent of two of our Members. I am in agreement with the two of our Members and I feel that the democracy of a company is basically different from political democracy. I was one of those who, though belonging to a minority party in the country and who knew that for a long time he would have to in the opposition—favoured the type of voting that we have adopted in the country and I was opposed to proportional representation. But, here in companies, proprotional representation would be useful because then alone would it be possible for minority shareholders to know what is happening in companies. Unless it is made obligatory and not left optional the minority groups of shareholders will never be able to collect the information that the Government require in order that a thorough scrutiny be made into the working of companies. It is only when one or two representatives of the minority shareholders sit on the board that they would be in a position to collect the information if necessary and where necessary and bring it to the attention of the authorities concerned.

As the Mover has pointed out, in the United States of America, the staggered system of electing directors prevails. Not only it prevails there; but I find that any other system is ruled to be illegal by the courts. Recently, the Illinois Supreme Court ruled that the kind of election that we have in our country was illegal in the United States and it is interesting to find that when such a ruling was given in the case of Montgomery Ward & Co., the New York *Journal of Commerce* reported that the World stock jumped up a point and a half on the New York Stock Exchange.

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This happened in April this year. Evidently, therefore, staggered election of directors is something that the shareholders like. The ruling given by the Illinois Supreme Court would not have resulted in the steoks jumping up by a point and a half unless the shareholders approved of the ruling that the Supreme Court of that State had given.

Provision has been made in clause 407 that in special circumstances the Government may appoint two or three persons as directors. But that provision would, perhaps, become unnecessary or when it is to be used in special circumstances would really be beneficial if the general pattern of electing the directors is on the basis of proportional representation rather than the one that we have today.

I would also make a passing reference to voting trusts that exist in the United States and examine whether, in view of the fact that a number of switch-overs are likely to take place in the management of the companies in the country in coming years, voting trusts would not be of some value to our country. In the Bill as it has come from the Joint Committee....

Mr. Deputy-Speaker: How do they work?

Shri Asoka Mehta: Sir, that will take a lot of time to explain and it is a minor point.

In clause 274 it has been laid down that no person can be a dirtector in more than 20 companies. Now, I find that in Germany the law is categorical. Nobody can hold more than 10 such posts. In England, I think, by and large, though there may be no legal bar against it, there are very few who hold more than 10 directorships. I do not know what is the position in the United States of America; but I feel that 20 seems to be a high figure.

I shall now come to the most controversial question—at least most controversial as far as I am concerned—that is, the clauses dealing with the managing agents. Mr. Birla pointed out in the course of his evidence that there are 1400 to 1500 managing agents in our country. It has been argued that the managing agents have been able to provide finances for companies. The total aggregate corporate sector has grown from Rs. 275 crores in 1938-39 to about Rs. 900 crores now. How much of this finance was provided by the managing agents? I would be grateful to the hon. Finance Minister if he would let us have any information that he may have on this subject; because I find from the latest study of company finance that has been published in the recent bulletin of the Reserve Bank of India that three-fourths of the capital formation is from internal finance. In 1951-52, three-fourths of the gross capital formation in companies was through internal finance. Only one-fourth was from outside. There also the contribution made by the managing agents is not separately given but, perhaps, it can be ascertained. I am sure that if we go into this question we will find that the managing agents' contribution or the managing agents playing the role of a financing agency to these concerns has fast become a myth.

As a matter of fact, those of us who have carefully gone through the memorandum that was prepared by the Bombay Shareholders' Association in 1949 know very well that it is the managing agents who utilise the resources of the company for indulging in all kinds of practices, good as well as bad. I believe we have reached a stage today where the managing agents need not fulfil or need not be called upon to fulfil the responsibility of providing the finances. They have only to manage the concerns.

When we come to the management of concerns, what do we find? For the remuneration a ceiling has been fixed at 10 per cent of the net profits. From 1946 to 1951, we find from the figures that have been given by the Taxation Enquiry Commission that the managing agency commission worked out to 13.7 per cent. I find from the *Reserve Bank Bulletin* that during 1950 to 1952, the percentage was more or less the same. But in well-managed companies the figure was always 10 per cent. It is only in exceptional cases that people used to charge higher commissions. When you fix 10 per cent, what is the improvement you are making? You are trying to freeze what has been prevailing so far. The general impression in the country seems to be that you are going to reduce the extravagant managing agency commissions that are being enjoyed, but when we go into details, we find that all that is sought to be done is to formalise what has generally been existing. The Finance Minister has quoted approvingly what the Shareholders' Association has to say in the course of the evidence about the managing agency system. But may I draw his attention to the fact that they also invited the attention of the Joint Committee to the fact that in foreign countries the management charges vary between ½ and 2 per cent? Originally the Shareholders' Association when Shri Kapadia was there—he was the man who built up the Association—he suggested that the managing agency commission should not exceed 7½ per cent. The new secretaries that have come up there after his death, I know, have suggested 10 per cent, but they have suggested it because as they have said that was the prevalent rate. I do not know how far they have safeguarded the interests of the shareholders by doing that. But the world over—if the Shareholders' Association is to be believed and I have taken the figures from the evidence volume—the management charge is ½ to 2 per cent; if that is the general cost of management in foreign countries, surely the Finance Minister must make out a case why in this country 10 per cent should be given. As I have already pointed out, to the best of my knowledge hardly any financing is done by these managing agents today and they are demanding, as I shall show you in a minute, additional remunerations for ancillary activities that they may perform. They have asked for it, but whether this House will agree to it or not I do not know. But even today at this stage they have made this demand

It has been said that a managing agency will be permitted to control or run only ten companies. Your attention must have been drawn to the three very able articles that were recently published by the *Statesman* on the Company Law Amendment Bill. Furthermore, the articles appeared in tch *Statesman*, which is a very responsible paper, and so I take them seriously. I believe it was in the third article that it was pointed out that this provision would be circumvented. It was pointed that it can easily be circumvented by opening departments. You may not set up new companies but you may open new departments. I do not know how that kind of circumventing will be prevented. If the circumventing is permitted by the law, then to say that the managing agents will be permitted to control only ten companies will become meaningless, as I shall show a little later when I come to the evidence given by Shri B. M. Birla. But even with the limited restrictions or the pragmatic approach that has been adopted, to quote the Finance Minister, the big business seem to be contending that if these restrictions are brought into operation—if they remain merely to adorn the statute-book, of course, then there is no difficulty—then it will become almost impossible for the big business to carry on the responsibilities that will be put upon them. I find in a memorandum prepared by the Associated Chambers of Commerce, a very responsible body in this country, on 4th July the following on page 2 thereof:

> "They do so on the grounds—which have already been elaborately explained—that if the powers now envisaged are in practice carried to their logical conclusion, the exercise of them will prove gravely detrimental to the existing and future structure of industrial and commercial development in the country and, by undermining confidence and depreciating the assets of the vast number of India's small investors,

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will render even more difficult the already difficult task which the private sector is to be asked to fulfil in the second Five Year Plan."

On page 15 of the memorandum, the point is further elaborated and it is stated:

> "They (the Chambers) would again strongly emphasise that a ten-year period is much too short for the most satisfactory results to be obtained under a managing agency agreement and that a renewal period limited to ten years will make it impossible for those features, which are the distinctive advantages of the managing agency system, to operate to the fullest extent, namely the support of a managed company......"

The Finance Minister, if I understood him aright, was saying that he was trying to steer clear between two extremes—one extreme being that the rights enjoyed by the managing agents should remain as they are and the other which wants the system to go. The two propositions are: whether the managing agency system can function efficiently; where it cannot function efficiently or if we are not prepared to give the managing agents the powers that they want for functioning efficiently, it has to go. The Finance Minister has taken the middle course or middle position. But those to whom the shoe is likely to pinch, turn round and say that if the pragmatic approach that you have taken is going to be worked out in practice, then we shall not be able to do what you expect us to do. When that attitude is taken up as a pragmatist—not as a dogmatist—I want to ask the Finance Minister whether it is not necessary, in the light of what these authoritative spokesmen of managing agents have to say, that we should terminate the entire pattern of management by the managing agency system because they are not prepared to accept the restrictions that we are imposing. They seem to be...

Shri C. D. Deshmukh: May be they will commit suicide to save themselves from slaughter.

Shri Asoka Metha: I do not know, but the question is that we are sitting here to decide whether it is to be suicide or slaughter or whatever it is. As he himself has said, we do not want to be guided by the example of the Kandian Prime Ministers. We would rather prevent people from committing suicide.

Shri Kamath: They may only attempt to commit suicide.

Shri Asoka Metha: That is a question which we should go into thoroughly. It has been suggested that they can transform themselves into secretaries and treasurers—clauses 378 to 383. We all know what the differences are and I shall not dilate on them. I feel that 'secretaries and treasurers' is only a slight variation of the managing agency system and no basic change takes place. I feel that the secretaries and treasurers, far from removing, are likely to encourage the real evil of interlocking. I admit that some provisions have been made in this Bill to guard against the evil of interlocking. Naturally we will discuss these things in detail when we come to clause-by-clause consideration. Full safeguards however, have not been taken.

In the *Statesman's* article that I referred to, the author had pointed out that the real evil is not managing agency system but interlocking. If there is this evil what is the attitude of our distinguished industrialists? In the evidence volume of the Joint Committee, I find Shri Birla saying "Firstly, we do not agree with what you call evil; in fact we are proud of the advance." I believe it was Shri C. C. Shah who asked him about the evils of interlocking. Shri Birla replied, "We are proud of that." Shri C. C. Shah asked him whether he was proud of interlocking and Shri Birla replied, "Yes." We are dealing with a tribe of very proud men who are proud of the fact that they indulged in large scale interlocking and you have to formulate a law which may make these people humble enough to accept the implications and philosophy of the economic policy that this House wants to lay down. If you permit the managing agency system to continue or if you transform it merely into secretaryship or treasurership you will be catering to their pride and perhaps create conditions where interlocking will continue.

Shri A. M. Thomas: Secretaries and treasurers will be creatures of the board.

Shri V. P. Nayar (Chirayinkil): What is the board?

Shri Asoka Mehta: Here again I would like to invite your attention to page 209 of the evidence volume where Mr. Birla has stated:

> "As you are aware previously small shareholders used to come forward and companies were being formed with capital subscribed by them. But with the high rate of taxation, new companies are being formed in lesser and lesser number. So companies join together and start a new company. This is the most feasible method of doing business."

A new pheonomenon is emerging in India's industrial life. It is not the shareholders who are going to come together, that is what Shri Birla says. It is not the shareholders who are going to come together to form a company. It is the companies that are going to come together. You can say that only ten companies can be controlled by managing agents but when these companies are going to come together and there are further companies, I do not know what is going to happen. My friend Shri Somani is not here; if he had been I would have referred to some of his recent efforts in this direction.

Under the circumstances, I would request the Finance Minister and also this House to consider coolly this point because I find from the way my friend, Shri A. M. Thomas, is making his interjections, that he wants to be more loyal to the king than the king himself. I suggest that is not necessary. I am not here to challenge either the wisdom or the experience or the integrity of the Finance Minister. But I believe that in this House we want to pool our experiences together and see that we devise a Bill which will safeguard our people and help our economy to progress in the best possible manner and it is in that spirit that I am making these suggestions.

A considerable amount of controversy has been raging round clause 197. Of course the Finance Minister has told us today that he is going to review and reconsider it. I see no reason why he should review or reconsider it because our industrialists are not at all worried about it. In the special supplement on Company Law that has been published by the *Eastern Economist*, the following observations are made:

> "Clause 197 introduces a wholly gratuitous complication, the actual effect of which may be to reduce the number of incumbents bearing descriptions such as director, manager or managing director and to convert such of them as are essential for a company's prosperity into salaried officials with designations which do not come within the mischief of clause 197, to the extent there is willingness among them to acquiesce in such devious procedure."

Whether you amend it or not what is needed is to see that this kind of circumventing is prevented. The clause has got to be so worded and I would request the Finance Minister to consider it from that point of view that the real views of Parliament may not be circumvented by this kind of devious procedure. Whether Rs. 50,000 is a proper ceiling or a slightly higher ceiling should be necessary is a different question. But, to my mind, this is something of greater importance. I would also like to point out that while it is possible to argue that there has got to be a certain amount of elasticity in the ceiling, surely there should be some kind of ceiling on the payment made to individuals. If there is only one managing director, is it open to a company to pay him Rs. 6,000 or Rs. 7,000 or should there be some kind of ceiling? This question is very important because our Estimates Com-

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mittee has suggested that; the Taxation Enquiry Commission has suggested that and there is some indication to that effect even in the plan frame that has been placed before the country.

The Finance Minister is right when he suggested that the essence of the Bill lies ultimately in its provisions for the implementing machinery. The future administrative set-up is of crucial importance. In the course of his speech, he has made certain observations about the future administrative set-up and they have somewhat altered the picture that was in my mind before. It will be a departmental set-up but it will also have multilateral functions. I was in favour and was going to recommend a statutory authority mainly because I felt that it would be possible for it to take up multilateral functions. For instance an authority like that could have undertaken the functions of the Stock Exchange Commission also but—as he himself has pointed out—even in the department, the multilateral functions will be there. I do not want to put forward that argument but two other arguments remain out of which one is about dilatoriness. He has suggested that there has been no dilatoriness in the past. But I find from the memorandum that has been submitted by the Associated Chambers of Commerce that they seem to have serious apprehensions about the dilatoriness if these powers are kept in the hands of the department. But the more important objection is the one that has been raised by the Company Law Committee. You will recollect that two reasons have been given there for setting up a statutory authority. The first was that while a departmental organisation would be simpler to work, a statutory authority would create more confidence and possess more elasticity and initiative, which is something just the obverse of saying that a department would be dilatory.

But the other argument was this. It is only in this way that it can maintain its independent character and avoid suspicion, bias or partisanship in the discharge of its functions. The Finance Minister used a number of words but he had not referred to the charge of partisanship. There, I believe, he used some three words but the word 'partisan' was not used. I am afraid suspicion of partisanship will be there. In fact the entire minute that my very able friend, Shri N. C. Chatterjee has drafted is written from this standpoint that if these large powers are taken by the Government there is the danger or the likelihood of serious suspicion that these powers might be misused. The Finance Minister has pointed out that that is not likely to happen but there is the feeling that they may be misused for political reasons. I do not think that the Finance Minister has said anything that would disarm this kind of suspicion. It is not that I am voicing this suspicion; it has already been voiced by Shri N. C. Chatterjee in his minute of dissent and I had hoped that the Finance Minister in the course of his initial observations would try and answer the points that have been raised by Shri N. C. Chatterjee because these questions are of paramount importance to those of us who sit on this side of the House and, I am sure, of importance to those who sit on the other side also because we feel that such extraordinary powers, when they have to deal with large industries and substantial men of capital, are likely to be misused. There is always the danger of their being misused particularly where we have a democracy without the requisite kind of mass popular organisations. In England, as you know, Sir, for the Labour Party the resources for election come from the trade union members. But, here almost all parties are dependent, in one form or another, on resources provided by moneyed people and special precautions should be taken to see that the insidious influence of money does not affect our administration. The administration needs to be safeguarded.

As far as the activities of the department are concerned I find that they will be multilateral activities. I am also prepared to believe it if the Finance Minister tells us that its functioning will not be dilatory. Even then, for political reasons and for ethical reasons I feel it would be safer and wiser to set up an independent authority. A number of policy decisions may have to be taken, but, after all, it should be possible for the Government—as the report has said—to lay down certain broad policies. Why should policies fluctuate from time to time? Over a period of a year or two certain basic policy decisions should be available which should guide the authority; of course, the overall control of the Government over the authority would remain, but it would perhaps create a better climate in the country, particularly when we are moving towards the next general election, if any kind of suspicion on this score is completely eliminated.

The Finance Minister, in the course of his speech made certain observations about the changes that he proposes to make in the provisions with regard to the Government companies. I was unable to follow them fully and I am, therefore, at a little disadvantage in criticising the provisions that have already been made in the report of the Joint Committee. The provisions as they have been made are unacceptable to me; because I find that neither the control of the Parliament would be there, nor the control of this law would be there completely. But, I believe the Finance Minister in the course of his observations said that he is at present having discussions with the Auditor-General to see whether these Government companies' accounts could not be audited by the Auditor-General and the Audit Reports made available to us. Perhaps, when the clause-by-clause discussion come up I shall be in a better position to say what I have to say in the matter.

Another important subject on which some of us have been putting a lot of emphasis is the right of workers to participate in the management of industries. Here again, I would like the Finance Minister not to dismiss it as a dogma; this is also a pragmatic consideration—entirely pragmatic. I shall invite his attention—now that Yugoslavia has become sufficiently respectable—to what Edward Kardelj has to say on the subject. I believe he is the Prime Minister of Yugoslavia. It is a brief quotation and, with your permission, Sir, I would like to read it. He says:

> "I believe it would be difficult to find a man, either in our country or abroad, who would—after a thorough analysis of that experience—be capable of denying the indisputable positive affirmation of the workers' councils in our social development. This affirmation has been so successful, powerful and rich in positive socialist results, that we can presently say that the workers' councils are not only a specific institution in our own development, but that they are, in one form or another, an indispensable element in the mechanism of socialist democracy in the period of transition from capitalism to socialism generally."

Mark the words: "In period of transition from capitalism to socialism generally," and I believe we are in that period just now; at least the Parliament wants us to be in that period. It has been pointed out by Edward Kardelj—there are further relevant passages, but I shall not take the time of the House by quoting them—on the next page of the book from where I am quoting:

> "The workers' councils, together with the councils of producers and the communes, are for the era of socialism what meant for the period of capitalism the appearance of the 'Commons' in Parliament, ..."

He argues, "the appearance of 'Commons' in Parliament" was a significant, vital, decisive turning point in the history of political democracy. So, workers' participation in the management of industries is likely to be a turning point in the economic democracy or socialistic democracy that we want to create. That is what a highly experienced person has to

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say on the subject. Perhaps we can dismiss Yugoslavia by saying that it is a communistic country or non-cominformist communistic country—that is how they describe themselves. Therefore, I would like to invite the attention of the Finance Minister to the law that has been passed—I am sure he knows it—in West Germany. I am referring to West Germany which can be considered to be the one State which, from the point of view of economic administration leaves nothing to be desired. There what is known as 'co-determination rights' are given to the workers. Paragraph IV of Part II of the law says:

> "The Supervisory Board consists of eleven members."

Under the Germany Company Law there is a Board of Supervision and under that there are directors. The Company Law there is different. So, the Board of Supervision which appoints the directors is composed as follows: the Supervisory Board consists of eleven members. It is made up of four representatives of the shareholders and one other member; four representatives of the labour force of the enterprise and one other member and one additional member. You will thus see that almost 50 per cent of the Supervisory Board, which enjoys some of the powers of our board of directors and also general body shareholders, are representatives of the workers. Sir, I happen to be a member of the Labour Panel set up by the Planning Commission and, as I referred to it last time, the Labour Minister has given us a memorandam. I do not think it is confidential because the matter was referred to on the floor of the House also. In the course of the memorandum the Labour Minister has said that for the Second Five Year Plan he would like that a minimum of two directors and a maximum of 25 per cent of the directors should be elected by the employees of the concern concerned. Now, if this is the policy of the Government—I do not know whether this is going to be the policy of the Government—surely, they should not think in a piecemeal fashion. Here is the Labour Minister, here is the Finance Minister, and here we are being called upon to amend the Company Law. I was very happy when I read this memoranda and I am sure the panel that is being set up will endorse the suggestion that has been made by the distinguished, very able and very experienced Labour Minister. But, if that is to be endorsed, how do we square it; how do we bring it into conformity with the Company Law that we are trying to enact just now? When we completely ignore this whole vital question—which the Prime Minister has also been raising from time to time—nothing will be gained by the Finance Minister turning round and telling me: "These are ideological considerations. You are only emphasising your domga". These are not dogmatic considerations. These are functional questions. We want to create a new pattern of society. That is not a dogma. That is my objective. That is my ideal. After all, life becomes worthwhile only when one has made an attempt to achieve that. I want that my State should work in conformity with this pattern. I want to create conditions where not only the shareholders' right will be safeguarded, not only where enterpreneurs will be able to put forward their best, but the workers will feel that a new kind of society, a new civilisation is sought to be created in my country. If that is to happen, can there be a Company Law without any kind of provision to that effect? In the quotation from the Company Law Committee's report which the Finance Minister has read, he has said last time:

> "The Company Law attempts to provide a legal framework for the corporate form of business management in which organisation, labour and capital are brought together in a particular form."

After all, labour is mentioned as one of the forces to be brought together This corporate form has to take into consideration labour also according to the Finance Minister himself. But, I find no reference to labour in this voluminous report of the Joint Committee. I would, therefore, request the Finance Minister to give his consideration to this aspect and, if he is not willing, I will, with due respect to him, request the House to consider whether the time has not come when we should amend the Company Law in order to provide to labour its legitimate share in the management of industries.

2 P.M.

There are just two more points that I want to make before I resume my seat. The first point is about audit. As far as auditors are concerned, two of our Members Shri N. P. Nathwani and Shri Morarka have made a suggestion that there should be additional government audit. I personally feel that there is something in that suggestion; because, there is no doubt that, that kind of additional government audit would strengthen the position and independence of the auditors. But I personally favour the system of double audit that prevails in France. In France the accounts of a company are audited by an auditor who is elected by the shareholders and another auditor who is elected by the employers. I think there is a considerable amount of force in having double audit of this kind because the workers have as much a claim on the wealth that is produced by the company and the workers should have an opportunity of knowing what is happening. Company Law should not be a bipartite law between the shareholders on the one hand and the company on the other. The workers must be permitted to come in and I think it would be worthwhile if we amend the provisions for audit by providing that the workers also should have an opportunity to appoint their own auditors as exists in France.

The next point that I want to make is rather a difficult point and I do not know how far I am competent to make it. I cannot claim to have studied very carefully all the Schedules. But the question that I want to put to the Finance Minister who is an eminent authority on matters of finance is, how far he has tried to reconcile the claims of accountancy with the claims of economics. I shall make myself clearer by saying that in the West today, wherever economic planning is being seriously taken up, the accounts of companies are sought to be recast so that it may be possible to use them for social accounting. Here is a book called *Social Accounts and the Business Enterprise Sector of the National Economy* where this question has been gone into in great detail. Not being an accountant or an auditor myself and also not being a professional economist, I do not think I would be able to say anything categorical, but because we are entering an era of planning and because we are amending this Act, when we are going to devote perhaps three or four weeks to it, I wonder if the Finance Minister would ask his Ministry to consider, in case it has not been considered, how far the balance sheet forms can be recast in order to make them useful for social accounting that will be very necessary if our planning is to be meaningful.

Here, I would like to invite your attention to a very significant remark that has been made by the author of the same book which I quoted, in another book called *The Measurement of Profit*. On page 5 of this book, he says:

> "There is still a secondary point to be touched upon. If the transfer of some particular facilities of production from private to public ownership is held to engender social welfare then accounting forms should minister to the disposition of its economic tests in the pattern of quantitative measurements of the social benefits, or if it be not too unseemly to add, the social costs inherent in the transfer".

In simple words, the author suggests that it is possible through social accounting to find out what would be the social cost of transferring from private to public sector certain facili-

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ties and what would be the advantage of such a transfer from the private sector to the public sector. These were the very questions that I believe the Finance Minister himself has been raising and as he knows very well, these matters have been considered deeply and profoundly by competent authorities in foreign countries.

For instance, in the *Designing of accounts*, a research study which was produced by a recognised body of accountants in England, it is said:

> "Accurately analysed revenue figures constitute a test of management."

That means, the balance-sheet should be so cast that it would constitute the test of management.

> "And in the case of published accounts the share of each factor in production should be disclosed as well as the net amount available for owners".

I believe it is possible to combine—I would not be able to say how to do it—these two aspects, and from my reading I feel it is possible to have a balance-sheet which would serve as efficiency audit, and an audit for efficiency, and also be useful as a balance-sheet in the normal sense in which we use it, and finally be useful for social accounting. I would like to know from the Finance Minister, if he thinks that my suggestions have been of value, whether these balance-sheets that have been included in the Schedules have been conceived or have been checked up from these considerations and if that had not been done, whether he would make an effort to get them checked up from that point of view.

I would also like to draw his attention to just two points because there may be many more cases like that. I find that distinction has been made between income from operations and transfer income. One of the recognised authorities on the subject of financial accounting, Mr. George May, has pointed out this distinction between income from operations and transfer income—the income from the operation that the company makes and the transfer income that the company gains is of peramount value. I believe that distinction has been made, but I would still like to be reassured on that point.

Dr. Singer, who has made an outstanding study on the accounting practices on the European continent, has drawn our attention particularly to resting accounts, that is, accounts which do not enter into the main profit and loss accounts. I find from the *Measurement of Profit* as well as from the other book, *Social Accounts and the Business Enterprise Sector of the National Economy*, that the concept of resting accounts is of signal importance for social accounting. I would, therefore, request the Finance Minister also to find out how far in drawing up the modern balance-sheet and the profit and loss accounts, consideration has been given to some of the relevant thinking, not merely in England but also on the continent of Europe for so designing and drafting the balance-sheets as to make them useful tools of economics as well as of operation.

I have tried to invite the attention of the Finance Minister and the House to some points that I consider to be of great importance, and I hope that when we take up the clause-by-clause consideration, I shall be able to add to what I have said generally just now.

Shri V. P. Nayar: I have been listening to the speech of the hon. Finance Minister and also that of my friend Shri Asoka Mehta. I am afraid that in a speech at the stage of general discussion on a bill which was described by the Finance Minister as a mammoth Bill and when some of us feel that in the mammoth Bill there are some monstrous provisions, it is not possible to go into the Bill provision by provision. I was very glad to hear the Finance Minister when he gave some statistics about the work done by the Joint Committee. I am not personally interested in the statistics as to how many clauses were redrafted or how many additions or subtractions made. I am interested in finding out what is the real effect of this law as amended by the Joint Committee, on the future of India's economy. I am positive that viewed from this angle, the work of the Joint Committee has very little relevance to the future of India's economy. We know,—and some of us have no doubts about it,—that so long as the law of capitalism operates, the Company Law will be there. Such laws cannot prevent the growth of monopolies and all the evils which you find today will be there. It is very interesting for us to find that the Joint Committee has not—I am sorry to say—considered the Bill with reference to the directive principles contained in our Constitution, a point which has been made in the Minutes of Dissent by my friends Shri K. K. Basu, Shri C. R. Chowdary and Shri Satyapriya Banerjee. I may invite the attention of the House to the Directive Principles of State Policy, Article 39(b) and (c):

> "(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
>
> (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;"

May I ask whether this Joint Committee has given any thought to this question? We hear tall talks of advance towards a socialistic pattern of society and all that. May I ask, it is through this reform of Company Law that a socialistic pattern and an egalitarian society proposed to be ushered in? As we have seen, the Joint Committee has incorporated in the Bill certain provisions which will have in a very little measure an advantage over the other provisions. What was the necessity for this legislation? It was because all of us knew—the whole country knew—that what is called corporate finance is being subjected to the grossest abuse and misuse by a set of professional people whose only business in this country is to evade taxes, resort to blackmarketing whenever it is possible and to call for funds from the poor people, collect them and misuse them to make private gains. Due to the unfettered functioning of these people, the Government remaining almost idle and the Company Law being very very defective, we have today such giant monopolies which control the economy and the industrial sphere in particular. I shall refer to the managing agents and their modes of operation a little later. But let us not make mistake, that the Government thinks company law reform is necessary because the growth of the companies which were functioning under the Company Law for decades has now become some thing which the Constitution pronounces against. It is definitely against the Directive Principles of State Policy. We know that this was due to historical reasons. We know that this monopoly has not grown in one day. They grew in a few decades; the growth of our industrial structure has certainly led to the growth of very big monopolies. It is very often argued that managing agencies have had their share; it is the most despicable system in any business anywhere in the world. I hear that the Finance Minister was even now complimenting that system and was saying that we have no alternative. I want him to bear in mind that this system has today a very well-deserved disrepute. It is not disrepute caused by a few speeches made in the Parliament. You can find it from the Government documents.

I was saying that if one goes through the history of the development of these undertakings in the form of companies, one finds that it is not merely a horizontal monopoly, it is not merely a honrizontal-*cum*-vertical monopoly; but today the growth of monopolies is in all directions. You will find that companies take up new ventures in the running of which they have had no previous experience at all. If you analyse the working of any of the biggest groups, here, you will find that the managing agency system and its qualifications do not exist. I am still to find a man who is equally

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proficient in the iron and steel industry and in the chemical industry. Take the House of Tatas. They run the iron and steel industry; let them run it. They have made some money from the iron and steel industry. That money is not pooled for the furtherance of the iron and steel industry; but they go on and grab another industry. I have not known any of the Tatas having found out any process like the Lead Chamber Process or the contact process for the manufacture of sulphuric acid in order to justify their managing agency taking up the chemical industry. I have not heard of anyone in the managing agency firm of Birla Brothers being competent to run an automobile factory, nor have I heard of anyone in the Dalmia Company being able to start an aviation factory, because he was an expert in aeronautical engineering. All these instances are before us. Our contention is that this is a point which neither the Joint Committee nor the Government has considered. People could understand if there was some fundamental change brought forward in order to prevent this abuse of corporate finance. We could have understood if Government were very keen on finding out when and how this sort of growth of monopolies could be prevented. But what we find today is a mere regulation of this or that aspect, which I am afraid will lead us nowhere.

We are very eagar to ensure a better distribution of wealth and to see that the monopolies do not grow to their present size. We should have thought that this Government would have, at least at the Joint Committee state, an approach to modify the fundamental provisions. I can give certain suggestions and I hope the hon. Finance Minister will bestow some thought and some consideration to them. I am asking his representative here whether Government have considered the necessity of putting a ceilling on the profits of companies. I suggest that instead of having all these rules and ramifications, you can prevent the growth of monopoly —which the Government says it also wants to prevent—by putting a ceiling on their profits. I may also suggest that the distributable profits of a limited company or an unlimited company may be kept at a maximum, say, double the rate of the bank interest, which will be very reasonable. A shareholder who takes a share for say, Rs. 1000 will be getting only a few rupees as dividend. It does not matter for him if from the few rupees, Rs. 5 are reduced. I do not say that these Rs. 5 should go to the Government also; let the money be spent only on well-defined and chalked out programmes, which have an absolute bearing on a detailed plan to be evolved by the Government. Are they prepared to do it? Is our Government prepared to insist that certain distributable profits, the rate of which can be fixed, can be spent only on ventures which have a relation to the context of our economy? If such a thing is done, it is a fundamental change and we can understand it. But it is not even considered.

I again come to the question of monopolies. The Government thinks that by limiting the directorship to 20 or by limiting the field of operation of a managing agency to 10 managed companies, it can prevent the growth of monopolies. I once again remind the Government that they are dealing with a class, a tribe for whom evasion of law is nothing new, who have got the best legal brains behind them to see how evasion can be done and who will evade whatever provisions of law Government may bring forward. I refer in this connection to a very revealing observation about managing agencies in the Report on the Working of the Income-tax Investigation Commission during 1953, in order to describe what class of people they are.

It describes a few typical cases. I am reading from page 8:

> "A limited company carrying on business in speculation and acting as managing agents for a number of other limited companies belonging to an influential group of industrialists of the country, managed to keep a large part of its income outside the account books. Even the profits entered in the books were considerably whittled down by debiting fictitious losses in speculation against them. For purposes for claiming the fictitious losses a chain of influential brokers and benamidars was introduced and the course of the transactions was made circuitous to avoid detection.
>
> "In order to give the transactions an appearance of reality, the payments were made by means of cheques and the ultimate beneficiary was some non-resident (non-existent man) who was not traceable to the Income-tax Department."

Income-tax laws, as Shri Tyagi knows, were made strict by him. Were they not?

The Minister of Defence Organisation (Shri Tyagi): I know the story.

Shri V. P. Nayar: Sir, he knows the particular story also. This is a typical case of a managing agent. Later on, you find another case. These are not isolated cases but are said to be typical. That is why I said that the managing agents have earned a well deserved disrepute. On page 15 another case is given.

> "A firm of managing agents derived substantial income from the managing agency of a textile mill year after year, but the same was being wiped out to a large extent by the losses claimed in bullion and cotton supeculations, etc."

One can understand buying anything else; the firm was buying fictitious losses:

> "The investigations disclosed that the firm was buying fictitious losses in speculation with a view to reducing its taxable income—a not uncommon device and one which is being largely practised in places like Bombay and Calcutta."—

where, unfortunately, we have a concentration of these managing agencies also.

What is the position in our industry today? Are we going to have rules made that a particular managing agency firm should not operate more than 10 companies and see that by this rule, it is limited? We would suggest, on the other hand, that if the Government are keen on limiting the field of operation of a particular managing agency, let them leave this sort of ineffective control. Let them control the total amount of block capital of the managed companies. Let them say that a managing agency can control other companies with a block capital of Rs. 5 crores. We do not mind. That we can discuss later, to arrive at a convenient figure. We know that the managing agents have control over the Board of Directors. Managing agencies have power to appoint any one, even a servant, as a director. One of the cooks of one of the leading industrialists of India is a director. The sixth brother of the fourth wife of another industrialist was a director in a managing agency concern at the age of 18. I once stated it on the floor of the House. It is like this. What is the purpose? You will find that even if you control the directorships at 20 and managed companies at 10, it will not mean much. I have here a list of the number of directorships held by some of the top people in Indian business. They have still vacancies. They can still create vacancies for their brothers who are in the same managing agency firm. For the information of the House, I may say,—I am

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sure it will be interesting—that there are some directors today who have 50 directorships. H. C. Waters, for example has 50 directorship. Shri Purushothama Das Thakur Das has 50 directorsships. I am giving a list of the directorships as held at the end of 1950 because when a further reference was made about the current position to the Finance Ministry through our Reference and Research Branch, I was told that no such information was available in the Finance Ministry. Therefore, I am obliged to rely on the 1949-50 record published in a book called Combination Movement in Indian Industry by M. M. Mehta, on pages 30 to 34:

C. J. B. Palmer	30	directorships;
G. C. Bangur	26	"
G. L. Bangur	26	"
G. Morgan	26	"
A. D. Vickers	25	"
C. L. Jatia	24	"
K. L. Jatia	24	"
T. L. Martin	23	"
H. F. Benslay	22	"
Ram Newas Ruia	41	"
Padampat Singhania	40	"
Luxmipat Singhania	30	"
Kailashpat Singhania	36	"
Ramakrishna Dalmia	38	"
Shanti Prasad Jain	31	"
D. M. Khatau	28	"
K. P. Goenka	32	"

It is a long list, I do not want to tire the House.

Mr. Deputy-Speaker: Is not the hon. Member giving an argument for keeping the figure at 20? The hon. Member goes on giving 50, 40 and so on, I was under the impression that this figure of 20 is high. With these figures, 20 seems to be low.

Shri V. P. Nayar: Sir, I will give you an explanation why this rule of 20 will not prevent them in any way, if you will bear with me for another minute.

Mr. Deputy-Speaker: I am bearing with him.

Shri V. P. Nayar: Turning to the top business in this House, I find Shri Tulsidas has only 12 and Shri G. D. Somani has only 10. I do not have figures for the Morarkas; they may also have less. If I am to accept your argument, that would mean that we have to confer another 8 on Shri Tulsidas and 10 on Shri G. D. Somani. That is not the position. What I say is this. These directorships are controlled by the managing agencies. These managing agencies can shift the directorships. If Mr. H. C. Waters has 50 directorships, some 30 directorships can go from a particular managing agency firm to any person with him, so that H. C. Waters will have only 19 and some X or Y will have 15, like that. These directorships can be and are controlled.

You will please bear with me when I quote some more figures. I shall give figures of managing agencies controlling directorships of other companies and the position will be clear to you. The Singhania Brothers, for example, have betwen them 107 directorships. Dalmia Jain Brothers or their managing agency concerns have 105 directorships. Ruia Brothers 80 directorships; Birla Brothers 60 direstorships; Poddar Brothers 55 directorships. Bangur Brothers 52 directorships; Goenka Brothers 55 directorships; Jatia Brothers 51 directorships. These are all manipulated by the managing agencies. If this system remains untouched, what is the effect? Padampat Singhania,—I am taking one concern, I do not mean any offence to the persons whose names I have given here because it is the result of the managing agency system—or Luxmipat Singhania or Kailashpat Singhania or Ramakrishna Dalmia can hold 20 directorships and the managing agencies which have given them 30 or 40 directorships can take away 10 or 15 from them and distribute them. A director of one company can be made the director in another company. Later on, I will be able to show how the voting strength is also controlled by the managing agencies so that they can fix anybody in the Board of Directors. I have only read the names of Indian managing agency companies. It is not merly the Indian managing agencies, but the European managing agencies have also indulged in this same manner.

Andrew Yule & Co. manages 78 companies and has 138 directorships. Bird & Co which has 31 concerns under its management has 80 directorships. Martin Burns has 20 companies under it and has 116 directorships. Mcleod has 55 concerns and 69 directorships. It is again a very long list. This is all their manipulation.

I heard the hon. Finance Minister quoting with approval the observations made by the Bombay Shareholders Association. He read a quotation from their memorandum to the Joint Committee. I have here another quotation from the same source, a source which, according to the Finance Minister is very authentic. I also heard him say that the Bombay Shareholders Association have been known for their zealous fight for the rights of the Bombay's shareholders. This is what they said in their memorandum which they submitted to the Bhabha Committee. I am reading from an extract with me:

> "An analysis of the lists of shareholders of the representative companies would show that several shareholders for some reason or another allow their shares to stand in the name of nominees, *e.g.* banks, with the result that the beneficial owners are not easily traceable and therefore the proxies in respect of their holdings are not easily obtainable. Again, certain classes of shareholders, *e.g.* Insurance and Trust companies and other big business houses, for reasons of their own do not desire openly to antagonise the managing agents and the retiring directors. Moreover, certain shareholders are dead or are outside India, while many others, on account of their small holdings or other reasons, prefer to remain indifferent. Due to all these factors, it is not possible to poll more than 50 per cent. of the votes at the Directors' re-election in spite of keen canvassing."

It further states that the—

> "above factors distinctly operate to the advantage of the Managing Agent and the Directors in that they have to canvass votes from a limited circle holding block votes as compared to the vast field that the contending shareholders have to tap for their votes and they succeeded in carrying the resolution for re-election of the retiring directors with 25 to 30 per cent. of the total number of votes."

It is stated by the Bombay shareholders Association that 20 to 25 per cent. of the voting strength can at any time be whipped up by the managing agents. In our system the shareholders are so scattered throughout the length and breadth of the country that no human ingenuity can bring them together for purposes of voting. It is not a difficulty which we in India alone face. I was reading just now a report about a manipulation like this which happened in the United States of America in 1929 when it was a difficult task for John D Rockfeller whose interest in a paticular company amounted to the extent of 14.9 per cent. to oust one man from the Board of Directors. Here it is written:

> "How hard the fight to unseat a board in possession may be is illustrated by the conflict in standard Oil of Indiana, in which at the time the Rockfeller Group had a holding of 14.9 per cent. Mr. John D Rockfeller Jr. was dissatisfied with the management of Colonel Stewart, chairman of the Board, in consequence of his part in certain dubious transactions. and in 1929 asked for his resignation. Colonel Stewart refused to resign and was supported by the Board. In the ensuing struggle the board denied Mr.

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> Rockfeller the use of the proxy machinery, sought the support of the 16,000 odd employee stockholders, and in order to impress the members, declared a 50 per cent. stock dividend. At the meeting the Rockfeller Group obtained the votes of 5,519, 210 shares against 2,954,986 for Colonel Stewart.........."
>
> "This sounds an outstanding victory, but was undoubtedly due to the substantial holding of the Rockfeller Group, its prestige and the serious grounds for a change in management. The effort is said to have cost the Rockefeller Group $ 300,000".

If a powerful shareholder like John D Rockfeller experiences so much difficulty in America to oust a man from the Board of Directors for a definite charge of misappropriation of corporate funds, you can as well imagine what chance you and I—if we are shareholders—can have against a managing Agent in India. We can not even correspond with other share holders, because we do not know where they are. As is aptly described by the Bombay Shareholders' Association, that the shareholders are very little concerned with the actual working of a company; they are interested only in getting dividends.

I remember when the Company Law Bill was under discussion in 1936, Pandit Govind Ballabh Pant—whom I do not see here now made a very strong plea on behalf of the shareholders. Those were the days when the Congress were telling the people that when they came to power they would do such and such a thing, only to be very conveniently forgotten later on. Pandit Govind Ballabh Pant made a very. emphatic plea You may even remember that speech, because I find that occasionally you also participated in it.

Mr. Deputy-Speaker: We were all sitting on this side.

Shri S. S. More: We are your unfortunate successors now!

Shri V. P. Nayar: Pandit Pant and other Congress members said that according to them the only form in which this could be regulated was by introducing the system of preferential election based on single transferable vote. I am asking Mr. Shah who is here whether this has been considered. We do not believe and we cannot believe, with the facts before us we can never even think of any sort of democracy in our companies, unless there is some fundamental change brought about in the constitution of the companies. And this aspect has not been considered at all, either by the Government or by the Joint Committee

With all this, I do not say that the defective functioning of the public limited companies was the fact which is solely attributable to the managing agencies however bad they are. As prof. K. T. Shah said it was bad; not only bad it was rotten, root and branch. It has to be removed. But let us also look at this aspect. Is it merely because of the managing agency system that we today have in our industrial sphere giant monopolies which it is impossible to dislodge by such legislative measure? I remember that before the Tatas began their Jamshedpur enterprise, the late Jamshedji Tata made an effort, but he could not raise funds in India. That was in 1890, I believe. He tried to float a loan in England, but did not succeed. Later on when the national aspiration of Indians began to change by about 1910 or 1912 a call was made and there was an over-subscription I am saying this with some purpose. If the entire profits which accrued to Tatas had been pooled and spent only on furthering the iron and steel industry of India our position would have been different. I am saying that it is not merely because of the managing agencies, but because of the utter disregard of the control of public companies by the managing agencies which our Government has been tolerating very consistently.

Later on the Tatas built up one of the biggest steel empires in the East; earned profits; Government gave them adequate protection and fixed prices to suit them. When the industry started yielding profits what did they do? Did they pool all the resources for furthering the prospects of the iron and steel industry? I could have understood if the entire money had been spent on some other industries which were very closely allied to the iron and steel industry. Government on the one hand were giving all sorts of protection to the Tata Iron and Steel Company; on the other hand, they did not lay down that the profits which are so derived should be utilised in a particular direction. The result was that you find there is an oil factory for Tatas; there is a Chemical Factory where sulphuric acid and other chemicals are manufactured. Even that is understandable. A firm of pioneering industrialists could have invested their profits in other metallurgical industries. But not being satisfied with the industrial undertakings, Tatas recently swallowed up the Indian business of the giant international undertaking for both commerce and industry—the firm of Volkart Brothers. It is a trading *cum* industrial firm.

It is not as is sought to be made out by Government that managing agencies have provided finance. It is not always the case. It is a fallacy, it is wrong to say that the managing agencies have provided finance. There is not a single instance in the whole industrial history of our country where by individual efforts of managing agencies monopolies have grown. It is always like this. The pattern is the same for all monopolies. They float companies; the poor man rushes with the penny. The managing agents do not take risk, in schemes about which they are certain, with their money; it is always by collecting subscription. Then that particular industry comes to a stage of yielding profits. That profit is then utilised without reference to the shareholders, without reference to the context of the economy, without reference to the interest of the public. It is invested in some other neighbouring concern in order to create a control. That is why I said at the beginning that it is not merely horizontal control; it is not merely vertical control; it is a mixture of all known controls.

How can we prevent that? I am asking the Minister: is there any provision in this law by which such growth of monopolies can be prevented? Has the Joint Committee applied its mind to the fact that these colossal monopolies have existed solely by exploiting the corporate finances of the country? Did the Joint Committee find a single instance of a person, however good he was at industry, whatever be the zeal he had as a pioneer in the industry, who had built up the industry to its present stage solely by his financial resources? There is not a single instance!

Shri B. Das (Jajpur-Keonjhar): Why this theory?

Shri V. P. Nayar: I am saying that all the finances have been collected from the people..........

An Hon. Member: By the efforts of a single man.

Shri V. P. Nayar: I shall come to that later on. I see the venerable Shri Das's point, but I am afraid.....

Shri S. S. More: You cannot agree with him.

Shri V. P. Nayar:......I have to disagree with him, with great respect. This was certainly not the view which Shri Das himself had when he participated in the discussion in the House in 1936. I find that he also partici-

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pated and gave many frank views in those days.

Mr. Deputy-Speaker: There is no virtue in being static.

Shri V. P. Nayar: Unfortunately, our library has a record of all those speeches.

Shri S. S. More: He does not know the dynamism of going from Opposition Benches to the Treasury Benches.

Shri V. P. Nayar: This is again the reason why I said that whatever be the statistics which Shri Deshmukh may make out to show us that the Joint Committee has considered 190 clauses, modified so many clauses, made fundamental changes in other clauses and all that, we feel that whatever change there has been has been confined mostly to drafting. There have been some changes here and there which are certainly good, but there has not been a single change on any fundamental, any basic question relating to the company law of our country. It is not merely that. While on the one hand the fundamentals of company law have not been touched, while nothing has been provided for any positive steps which will ensure that the experience of company law for the last two or three decades will not be repeated again, they have introduced one fundamental provision the justification for which I am unable to see. I said that I may not refer to the provisions, but I am forced to refer to one provision at least. In the new Bill as reported upon by the Joint Committee you find that perhaps for the first time there is a provision under which foreign companies operating in India have to submit their accounts, their balance sheets. As I read it, I did not see any power reserved either for the Government or for any other authority to audit the accounts so submitted. The mere proclaiming that hereafter foreign interests in India will have to submit their balance sheets means nothing. Mere submission of balance sheets means nothing because Government cannot go into the detailed accounts unless they are armed with that power specifically. And then the surprising aspect is that there is a proviso added to clause 589. The clause reads:

> "Every foreign company shall, in every calendar year,—
>
> (a) make out a balance sheet and profit and loss account in such form, containing such particulars and including or having annexed or attached thereto such documents......".

But there is a proviso to sub-clause (b) which says:

> "Provided that the Central Government may, by notification in the Official Gazette, direct that, in the case of any foreign company or class of foreign company* the requirements of clause (a) shall not apply or shall apply subject to such exceptions and modifications as may be specified in the notification."

I ask the Government: are they not ashamed to face this House with such provisions? On the one hand you say that hereafter all foreign companies will have to submit their accounts for Government's scrutiny. After all, it is merely a balance sheet out of which nobody in the Government can make head or tail about the atrocious deals of such foreign companies. On the other hand, Government reserve to themselves power to exempt any class of these people practising diabolical crimes on India's economy from submitting accounts. What is the context in which Government has been forced to adopt this. I know that the Government have been committed to certain foreign companies in the matter of certain agreements. I know that the Burmah-Shell and the Standard Vacuum Oil Companies with which the Government have entered into agreements can certainly bring some pressure and see that Government do not insist on seeing their accounts. Caltex also. But why is it that immediately after giving a right to the Government to examine the accounts, you have a provision for exemption also? This rediculous and I want a very categorical answer. I cannot find out from any sources not even Shri Shah could help me the other day, when I wanted to know how much profits were made by the rubber company Good-Year Shri Shah may perhaps remember that I asked him for details of the profits made by Dunlop and Good-Year. He wrote to me that for Dunlop, it is a limited company in India and he could give me the figure, but Good-Year is not a limited company and he could not give me the figure for it. We found that Dunlop had made a profit of Rs. Seven crores after 1950. Not a joke. We wanted to know because almost all the rubber goes from my State. Ninety per cent. of the rubber is from my State and I wanted to know what was the deal which our rubber planters and our workers got, That could be decided only when I know the profits made by the rubber industry and there is no means to get at these. And if Government are going to exempt Dunlop or Good-Year from submission of accounts, and exempt them not as individual firms but as class of foreign firms, I ask what is the chance to know their profits. It is therefore that I pose this question. When the hon. Minister replies, he should reply to this point also.

Then there is the question of how hese restrictions on interlocking can be applied. As I told you it is very unfortunate that almost on every opic which is related to company aw you have to discuss it in the perspective of a managing agent also. The managing agents in India have profit which is now fixed at Rs. 50,000 *i.e.*, their remuneration. If there is no profit, for expenses a managing agency firm can get per year Rs. 50.000. That is the upper limit. In that case, if all the firms un by Singhania Brothers do not ield profit for the year 1956, they would have got a sum of Rs. 53½ lakhs because they control 107 managing agencies. But that is not the point which I wanted to make.

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): It will not be so now.

Shri V. P. Nayar: I heard some reference to the interlocking arrangements also. I can illustrate how there is interlocking only by repeating what I said and elaborating it in detail. Interlocking is a necessary evil and where there is capitalism there is interlocking also; it is inescapable. So long as the law of capitalism operates, there will be interlocking, but I have not found so much interlocking in any other country the economy of which is so underdeveloped, and when industry is at a very, very low ebb. There is no relevance between the industries which a particular individual gathers, grabs. There is, for example, as I told you before, Dalmia Jains, as managing agents, for aviation companies. They must be accepted as experts! Then they have got cement factories. They have got the bank, the insurance companies and even a biscuit factory. So, the same person under the managing agency system and under the present law which the Joint Committee does not seek to revise, can function as an aviation expert, as an automobile specialist, even as a pharmaceutical chemist, a baker and what not. This is the position.

Take for example any leading managing agency house. I have not prepared a statement of those, but I can off-hand say that the managing agency house of Birlas have a variety of industries. I do not mention them by name, but I refer to the managing agency house of Birlas. They have an automobile factory at Calcutta. They have interests in the jute industry. They have got textile, rayon, sugar, paper, and more than all, dealings in foreign exchange. Is it not a fact? Take for example, the case of Dalmia Jain, a managing agency firm about which I have spoken before. Then, look at the case

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of even our own Members representing capital. I do not say that they are operating through managing agencies. But there is this interlocking by managing agencies, by directors, by finance and everything else. The surprising aspect is.....

Mr. Deputy-Speaker: Objection can certainly be taken to interlocking and the charging of large profits. But can a quarrel be started with our industrialists or persons who are *entrepreneurs* on the ground that they have started so many industries in this country?

Shri V. P. Nayar: If only you refer to the minute of Dissent given by my hon. friends Shri Tulsidas and Shri G. D. Somani, you will find that some reference to them is also necessary, because they have taken a stand very much different from even the very ordinary stand taken by Government. You may ask anyone of them and ask for his opinion about interlocking, and he will say that it is necessary, because he is functioning........

Mr. Deputy-Speaker: All that I was saying was if persons start a large number of industries, then that ought not to be a charge or accusation against such persons. But the charge may be that they are swallowing large profits, they are taking to improper methods or to interlocking which leads to defects and so on. These are the charges that can be levelled, but it is not proper to go on saying, they have started soap manufacture, this manufacture, that manufacture and so on. There are still many other things which we are importing from foreign countries now. We must applaud these people for having started so many industries.

Shri V. P. Nayar: If you want to know some details about the foreign companies and the interlocking among them either here or in the U. S. A. or U. K., I have some ready information.

Mr. Deputy-Speaker: I had absolutely nothing to say against interlocking. All that the hon. Member says in regard to that is all right. But it is not right to go on saying, this man has got oil industry, cake industry, soap industry, metal industry and so on. What is the harm in that?

Shri V. P. Nayar: Sir, why should you not give me a minute to show what the harm is?

Mr. Deputy-Speaker: I have been hearing for half an hour.

Shri V. P. Nayar: The harm is that there is a tendency on the part of every industrialist and every managing agency house to grab more and more industries which are absolutely unrelated, and for which they use public funds which the subscribers give, without reference to the subscribers. Our present law makes no effort to prevent such bad practices.

There is trafficking in managing agencies. You may say that there is a resolution. And that is the point to which I am coming. There is provision for an ordinary resolution or an extraordinary resolution, or whatever it is. I am arguing that in the context in which we see things today, and in the context of monopolies spreading their vicious poisonous tentacles to every corner of the industry, it is absolutely impossible by such restrictions providing for ordinary and extraordinary resolutions to prevent them from further enlarging their hold. That is why I said that this does not apply to the very well-known or leading managing agency houses at the top. It is there from top to bottom; in India's industrial management, this is a phenomenon now. I never classed Shri Tulsidas or Shri G. D. Somani as occupying the highest place in any managing agency house or in India's industry. I am saying that comparatively, even these back-benchers or people who are having training behind the leading industrialists have this tendency because they have interest not merely in one industry but in several industries. You can claim one person to be specialist in one industry. You can claim him to be a specialist, also in another industry. But I cannot think of a person who is equally proficient in the automobile industry on the one hand, aeronautical industry on the other, and a biscuit factory and jute mills at other places.

Mr. Deputy-Speaker: Does the hon. Member mean to say that whoever is a managing agent is an expert? For instance, if there is an oil industry, does the hon. Member mean that the managing agent is an expert in oil? He appoints experts.

Shri V. P. Nayar: Sir, that is precisely the point which is emphasised over and over again in order to justify the system of managing agencies.

Mr. Deputy-Speaker: Does the hon. Member mean to say that whoever is a managing agent should be an expert, for instance, in the textile industry, whoever is the managing agent should be an expert in textiles, and so on?

Shri S. S. More: Cannot one who eats biscuits be the managing agent of a biscuit factory?

Mr. Deputy-Speaker: Certainly.

Shri V. P. Nayar: It is not a question of eating biscuits. It is not because a managing agent has any expert knowledge, it is not because he knows the organisation of any particular industry in so far as the technique of the industry is concerned, but it is because, and precisely because, of the power of finance-capital, which is behind him that he is able to grab more and more industries to the very serious detriment of the common good. That is the main reason; and that is the thing which the Constitution pronounces against. The Constitution says that one of the Directive Principles shall be equal distribution. But what do we find? For so long, we have been having the company law: it has been operating; and Government had controls, but with all this, it has not been possible to prevent the growth of those giant monopolies. You may call it vertical control or some other control. I do not know the technical term for it. But the fact is that there are these managing agencies, there are directors, there are banks, there are insurance companies, etc.; again it is in a cycle, and the managing agency controls them. That is why I said that the leading managing agency houses have their own banks, have their own insurance companies, and have their own other industries, subsidiary, ancilliary and unconnected. The result is what I have stated already. do not want to discuss it further, because I think you have heard enough of it.

Mr. Deputy-Speaker: I have been hearing for 20 years.

Shri Sarangadhar Das (Dhenkanal—West Cuttack): And talking too.

Shri V. P. Nayar: Now, I come to some of the other provisions. I am unfortunately not in a position to give the relevant provisions of law in the U. S. A. or East Germany or Yugoslavia, which my hon. friend Shri Asoka Mehta could give. But I know that in other countries, for instance, in Switzerland, there is a provision that in the constitution of a company, there shall be at least a given number of Swiss nationals. In the American Federal laws, there are provisions that companies incorporated within the territory should have in the board of directors one or two Americans. This is a rule which you will find in most of the countries. But I am asking Shri M. C. Shah, through you, Sir, whether we have any provision incorporated in this Bill, by which in the case of formation of new companies by foreign *entrepreneurs* there is a restriction or a provision that at least one or two people will be Indians.

Shri S. S. More: No.

Shri V. P. Nayar: Is there any such provision here? This is why I say that whatever attempts have been made by Government or by the Joint Committee have not been directed to making any fundamental change with a view to completely getting rid of this evil, which has resulted in what we see today.

[Shri V. P. Nayar]

There is also another matter to which I wanted pointed reference to be made. Shri Asoka Mehta was suggesting that in the constitution of the boards of management, there should be representation for labour. I am asking Government: Do they require any further argument for this? Do they not know that it is time that they change their own minds and accept this as a principle? Everywhere, you say that the policy of Government is to associate the workers more and more in management. Why not incorporate it here? I do not believe that the Joint Committee considered this very important question at all.

There is one other matter which I would like to emphasise over and over again.

Mr. Deputy-Speaker: The hon. Member has only ten minutes more, even if I allow him the full one hour He started at 2-8 P.M.

Shri V. P. Nayar: I shall finish presently, because I am sure, as we discuss the Bill clause by clause, I will get enough opportunity to advance my arguments further.

I once again stress this point that Government should consider, when this Bill is under discussion here, ways and means as to how to limit the profits, and how to ensure that such profits—whatever be the industries involved, whether they are operated by managing agencies or otherwise, whether they are managed by Government or otherwise—should be used only for specific purposes under a well-defined plan which has to be evolved. It may take some time. You will find that concealed profits never come up for any useful purposes. Even the reserves are spent in running factories with antiquated or dilapidated machinery. And sometimes huge reserves also go in for operation in the stock market, and nobody will know that. Therefore, I say that at least now, when there is a tall talk of a socialistic pattern and all that, when everything except perhaps your breathing, is related to the next Five Year Plan, and when people are told, if you do not have it by now, you shall have it in the next Five Year Plan, and so on, at least on the basis of that, I want Government to consider how far they can have a ceiling imposed on distributable profits, and how far they can direct that the balance in the profits could be directed towards well-defined ventures under a State Plan.

3 P.M.

As you have reminded me of time, I do not want to take any more of it. I only wish that when the reply is given, the hon. Minister will be pleased to give me specific answers, because generally what I have found is that, more than anybody else, Shri Chintaman Deshmukh is clever in touching a point without actually meeting it; he brushes it aside and goes to another point, knowing full well that after that we do not get time to ask the question again. So I hope that at least now, on the definite points that I have raised, I will get a categorical answer.

Shri Heda (Nizamabad): When we view the industrial growth of our country, we come across two contradictory opinions. One opinion held is that whatever industrial development could take place in our country in spite of foreign or alien rule, is entirely due to the system that we have developed more particularly in this country, known as the managing agency system. The other opinion that is expressed or held is that the country could develop industrially so much in spite of the present managing agency system. Where the truth lies is very difficult to find out. But I think the truth must be lying somewhere in between these two extreme views.

My first point is that we have to make a difference between one managing agent and another managing agent. There are certain managing agents who really work for industrial growth and who try to develop and build industries with the same care and same earnest desire as one looks to his own child or his own belongings, while are certain other managing agents who try to exploit the community and wield their influence through the companies of which they are managing agents.

[SHRIMATI RENU CHAKRAVARTTY *in the Chair*]

Once, on a previous occasion, I had narrated some of the methods that the second type of managing agents adopt. I would like to repeat it, in short. One of the ways is that they wield these managing agencies for speculative purposes. I had given an example, and I would repeat it. Suppose one would like to become the managing agent of a textile or some such industry with a view to speculate in cotton or some other raw material. If the deal is profitable, the deal goes in the name of the individual or the firm of the managing agents; if the deal is not profitable if the rates have decreased in between, the deal goes in the name of the company. That way, this is a sure type of speculation in which these people indulge with no chance of loss and every chance of full surety or guarantee of profits.

Another device that some managing agents adopt is this. First they float rumours that so and so is floating such and such company and that company is going to make very good profits and it has got all the bright features. Therefore, before the company is actually floated, the shares go into premium. The managing agency firm reserves most of the shares—many times 50 to 80 per cent.—in the names of themselves or their friends and they sell the shares at a premium in the market. After some time the company is formed, money is obtained and people find that nothing is taking place, machinery is not coming or the factory is not being erected. Therefore, in the course of a year or two, the shares go into discount and are quoted so in the market, many times at 50 per cent. of the value paid. Then slowly these very managing agents purchase the shares of their own company and within a period of six months to one year, the machinery comes, production starts and the company starts making profit and a dividend is paid. Naturally the shares go up again and are quoted at a premium. Then they sell again the same shares. So this is one type of managing agents who do not care for the industry, who have got a speculative mind, whose bent of mind is primarily speculative; whether they speculate in the raw material that their company needs or whether they speculate in their own shares, is immaterial, but this type of managing agency firms has brought a great disrepute to the system as well as to our country.

Just now, Shri V. P. Nayar was making a point that there is hardly a managing agent who has raised all the finances needed for the company by himself. That is true. In foreign countries, particularly in U.S.A. we come across some financiers who put all their own money, and a nominal amount—say about 10 to 25 per cent—is asked for from other people by way of subscription, and thereby they carry on the industry. Such managing agents are investors. The managing agents that we have got are either industrially-minded or speculatively-minded. There are very few examples of the managing agents who are industrially minded. But I think it is for the Government to differentiate bet- would develop the country towards agents and encourage the one and discourage or punish the other.

The Finance Minister in his speech today used a very proper word. He said that one of the objectives of this Bill is to encourage the private sector. Thereby he meant, I think, to encourage the right type of personnel or the right type of system which would develop the country towards greater industrialisation. The main difficulty that I find is that if we look into the past record, Government did not try to encourage the right type of managing agent and punish or at least discourage, the wrong type of managing agent. Sometimes, they say that they have no adequate powers. I

[Shri Heda]

doubt that. No doubt, the company law that we have at the moment has got less powers than the company law that is now proposed. But when was the complaint made by the Government about inadequacy of powers? Did they ever try to use those powers and then come to this House with a plea that they want to do such and such thing in the interests of the country and their hands are bound because of the defects in the existing company law? That is not the point. The point is that the Finance Minister or some officers in the Finance Ministry may be very brilliant and intelligent, but there are more intelligent and brilliant persons in what we call the private sector or managing agency firms. Therefore, unless a system is devised by which we create a sort of convention, we build a particular department through which we keep our watch on every individual in the industry, his moves from day to day, and accordingly form our own opinions, and taking into consideration the past record, try to punish or catch him, whenever he goes wrong, unless some such device is there, mere legislation will not come to our help. The present company law is no doubt a very big improvement, but whatever improvement it may have by itself, is not sufficient. The Finance Minister was pleased to announce today that he has already opened a department and that department would be in charge of company law, and along with it, it will be in charge of some other subjects. My friend, Shri Thomas, expressed his desire that banks and insurance companies also should be within the purview of the same department. Though the Finance Minister did not agree, I am quite sure that a day will come when this department will have to look to it; because finance and industry both go together.

Banks and insurance companies have got a lot of finance, and control over them is quite necessary; otherwise, without such control, control over the companies would be very difficult. Anyway, I am glad that the department has already started functioning, and I hope that this department will try to achieve some fair name, as some of our departments have already achieved, and try to build the right type of managing agency or private sector or industrial class and try to punish the wrong type of managing agency class.

Another question that has received attention in this Bill is the future of the managing agency. Some have expressed the opinion that this system should be done away with here and now. Some are of the opinion that it is quite necessary and that it should be given a longer lease of life than is stipulated in the Bill. The various minutes of dissent and the opinions expressed in the country also show the same thing.

In this connection I would like to point out a basic thing that while we believe in mixed economy we will have to think of some system—whether we call it the managing agency system or we call it as secretaries and treasurers or by whatever name we call it like operative control by directors—and while we leave some scope for the private sector we will have to allow some system to sustain the industries in the private sector. I find that the difference between the managing agency system and the system of secretaries and treasurers is there but it is not of a vital nature. After all, the basic nature is not changed. There is a difference between the percentage of Commission and the remuneration. That is all. But I would like to object that the very innocuous and innocent names of secretaries and treasurers are given to what is generally supposed to be a vicious system—the managing agency. The managing agency has already got a bad name and if the system is bad let it be called by a bad name alone.

There is another device used to control this managing agency and that is by limiting the commission or the remuneration. I am glad that in this matter of remuneration, the managing agency, the managing director or the operative director or the manager—all are included. The entire business organisation should be included in this managing agency by whatever name you may call it. The industrial organisation is, of course, quite independent and it will remain as a separate organisation. But my point is this. Do these managing agents take up so many companies and so many managing agencies simply to earn money as commission or remuneration? Of course, the amount that they receive as commission or remuneration is big. But that is not the main consideration. I have already pointed out how large sums of money are earned through speculation of various types. Generally on these sums earned by them through speculation they evade paying income-tax, super-tax and other charges which amount to fourteen annas in the rupee and they pocket the whole profit. Therefore, to think that the managing agents would be discouraged by limiting the commission or remuneration is not quite correct. I have seen many industrialists and many managing agents floating company after company for the love of power, for the lure of having greater organisations under them. Naturally everybody would like to expand the sphere of his power. That is one of the reasons why they go on floating one company after another. To think that the managing agents would be curbed by limiting their profits or commission or remuneration would not be quite correct. Unless the department which is visualised and about which an announcement has been made today works in right earnest, with the right spirit, and zealously guards the interests of the country. I fear that the purpose of the Bill would not be achieved.

There is another danger also. That is without taking the past record and personal factors into consideration if the law is applied, it is just possible that more honest persons may be punished more and less honest persons may be punished less. That is generally the experience in other spheres also because the more tactful and resourceful persons know how to evade the clutches of the law. Everything will depend upon the working of the department and I hope the department will work rightly. We can do away with this managing agency system only when the right type of alternative is devised in our country. The alternative that is suggested in the Bill...

Shri U. M. Trivedi (Chittor): On a point of order, Madam, it is now three o'clock and we should have quorum.

Mr. Chairman: I will have the bell rung.

Yes, now there is quorum; Shri Heda may continue.

Shri Heda: I was dealing with the point that unless a real alternative was devised and developed to the managing agency system, it will not be possible to do away with the present system. The alternative suggestion in the Bill is no alternative in the real sense. The real alternative can come through the public sector alone, and, therefore, it is up to the public sector, to the industries in the public sector, to show greater efficiency, greater economies and better profits. Unless that is done, the people will always compare public sector with private sector and they may start getting the feeling that the private sector is more efficient and because of the personal factor, the development of industries is looked after properly. Unless we establish a fair name for the public sector, I fear that the real alternative to the private sector or to the managing agency system could not have come, and till that time whatever system we have already built, we have to carry on with it, always keeping a watchful eye over the different persons or firms working, and thereby trying to mend that matters to the best of the situation.

Now I come to the point about new companies. On the one hand it has been said that one should not be director of more than 20 companies. The provision sounds quite good. On the other hand, we find that there are more difficulties created in this law for floating a new company. If we invite a new talent, already he has to face big difficulties. The pre-

[Shri Heda]

sent enactment, such a bulky one, itself is enough to harass him. He may feel that it is very difficult to work properly and not come into the clutches of such a big Bill. Naturally a new talent has not that experience of business organisation or he cannot have the benefit of the advice of the class which is called 'solicitors' or 'lawyers', and, herefore, I find that in the present Bill the difficulties that the new persons who like to float new companies will have to face, are immense. So, if we really desire that the industrial growth should not concentrate into a few hands and should spread to as many hands as possible, and that more and more persons, particularly new talent, should come into the industrial and business organisations, the floating of new companies should have been comparatively less difficult. I am glad to note that in the present Bill the rights of the shareholders have been very zealously guarded and they are not at the mercy of the managing agents as was the case in the past. No doubt, the principle of proportionate voting has been introduced, but I doubt that it has not taken to the logical consequences. I wish that all elections to the board of directors should be held by proportionate voting or even single transferable voting, so that every shade in the shareholders would be represented on the board of directors, who would zealously watch and guard the interests of the shareholders. I am further very happy to note that the preference shareholders have been denied the vote. It is a step in the right direction, and I think the ordinary shareholders, who are the founders or builders or owners of the company, will have the last word to decide about the working of their companies.

With these few comments, I welcome the present Bill.

Shri Khardekar (Kolhapur cum Satara): I welcome this Bill. I only wish I could give my wholehearted support to it, but you cannot give wholehearted support to a half hearted measure.

Shri Heda: Half the heart is somewhere else.

Shri Khardekar: First, I will make a few general observations and then talk about certain important provisions which contain certain glaring defects. You know that the greatness of a nation does not lie in the extent of its territory or the number of its citizens, but in the character and greatness of its people. Similarly, the importance of a legislative measure does not lie in its bulk, length, width or leviathan size, but in the purpose it serves. Every Act of our Parliament must be judged in the light of the objectives and the ideals set forth in the Constitution. We are pledged to justice, social and economic. We are directed against concentration of wealth, economic power and means of production. Now the question of questions, the most controversial question that we have to consider very carefully is whether to mend or to end the managing agency system. Experience has shown that all efforts at mending have failed miserably, and if we do not learn from experience, I think we shall learn from nothing. It is more difficult, I think, to mend the managing agency system than to straighten the crooked tail of a dog. In the last few years there has been a very great public demand for the abolition of this system, and the spirit of the public demand is accepted in this Bill by providing that by notification the Government might take away the managing agency system from certain industries. Why not go a step further at least and throw the onus or the burden of showing that the remaining concerns are in the public interest on the managing agents? The fears that capital will not be forthcoming are imaginary and illusory. The sins and malpractices of the managing agents are mostly responsible for capital being shy, and those who have listened to Shri Asoka Mehta as also to my friend, Shri

Nayar, should be convinced about that. I think people have confidence in the Government, thereby I do not mean in the executive, and always the Government must move more confidently. The path of a reformer, revolutionary reformer, is always difficult and it requires courage and the spirit of adventure. This Bill unfortunately is a compromise, and compromise with evil is an evil thing. I believe in the motto "Strike wrong on the head, let it come from any source, irrespective of the consequences." Since Independence, this country has taken a few very bold steps and done a few great things. We have been able to put an end to the relic of feudalism of the princes and landlords. Zamindari is in the process of liquidation. Why is the Government afraid of the barons of industry? Is it, as some suggest, because these barons of industry make the party pockets swell? Now the princes at least had some saving grace. Even their very vices had glamour and grandeur about them—a fleet of cars, a stable of horses, a pack of hounds, dogs, animal and human caparisoned elephants, a harem of beautiful women, a band of musicians, dancers, poets and sportsmen—a colourful collection altogether. Their wealth was distributed and did not accumulate and people were not oppressed by their wealth as they are by the wealth of these business magnates.

I could tell you one or two short stories within a couple of minutes. "The extravagant generosity of a prince" is a short story which appeared in one of the *Readers' Digest* numbers. On board a steamer a rajah was having a Scotsman as his companion and he was useful to the rajah in certain respects. The rejah was filled with generosity and so he said: "Please do me a favour and ask for some present or a gift." The poor Scotsman said: "Give me a few golf clubs" meaning thereby the sticks but the rajah understood that he wanted 'clubs'—buildings, fields and other things. When the rajah went to England and Scotland, he purchased two or three clubs costing probably a few lakhs of rupees and wrote to this friend: "I have managed to purchase three clubs; I am trying to have one more and then the title deeds etc. would be handed over to you."

Shri Kamath: It is not a story; it is a fact, a true story.

Shri Khardekar: I am very much obliged. Here is another fact which I said was a story.

Mr. Chairman: Could we come back to the discussion?

Shri Khardekar: A young managing agent well-versed in Kalidasa and Shakespeare decided to play the role of a Romeo and he hired a taxi. He did not want to go in his own car because that might affect his business; he attracted a very romantic young person and they went to the Hanging Gardens. The driver was taking a walk for sometime. Of course mutual compliments were paid this way and that way and then the romantic young thing started thinking of the bright future and was more or less in a meditating mood. The young man also was seriously thinking and she did not know what he was thinking about. After sometime when she came to her own, she looked at her lover and said: "What have you been thinking about?" Perhaps she expected that he would say: "I have been comparing the moon below with the moon above" and the rest of it. Somehow he was a businessman who did not tell a lie in matters other than business and so he said—it was unpleasant rather; He said "we have been two hours here and I have been thinking of the taxi meter." So, that is the attitude of the businessmen.

After these few general remarks, let me consider some of the important provisions of the Bill and their defects. This Bill provides that a person can be a managing agent in ten companies and director in twenty. I think we are living in days of specialisation and I expect a managing agent to have an expert knowledge at least about the particular concerns

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with which he is connected. But these businesses will be of different types. You know that Aristotle who took all knowledge to be his province would not have been an Aristotle today if he were to live today because specialisation has advanced so much and when you manage things of different types you mismanage all of them. This Bill gives a charter for mismanagement to some persons or groups. It also means divided work and multiplied remuneration.

The Prime Minister once said *aaram haram hai;* this Bill gives *aaram* to a number of *harams.* Nowhere in the Bill minimum qualifications have been prescribed. You know, even for us who come here mainly for exercising vocal organs—speaking—we have to be at least 25 years of age. Teen agers can become managing agents. An age limit should be there; they should be at least 25 because these people are going to be in charge of national wealth. I think they should have minimum educational qualifications; they should be at least matriculates and possess some experience of a specialised kind of business that they are going to undertake. I do not think that I am asking too much. My hon. friend, Shri V. P. Nayar, talked a good deal about mal-practices but I will talk about one or two instances which are actually taking place. We know of some managing agency houses; they are entirly a family affair. X has a firm of managing agents; Mrs. X becomes madam chairman of the board of directors—the blessing of education she has is upto the third standard—then the daughters and the sons—they are directors. Naturally the income is divided for evading taxes. Everyone draws a very fat salary in this family; visits to Europe become very necessary—the apparent reason being the fostering and development of the company but real reason pleasure trips—and purchases made for personal use are to be in the name of the company. In the seventh schedule, it has been provided that managing agents shall not appoint their relatives without the previous approval of the board of directors. But in most companies the directors are not in a position to oppose the managing agents because they will be thrown out at the next election as a result of the strength of the shares that the managing agents hold.

A good deal has been said about the remuneration. You know that even the Taxation Enquiry Commission recommended that no family's income should be more than thirty times that of an average family. Even the minimum that might be given where there are no profits is Rs. 50,000. I think that works out nearly to double the amount that the Ministers at the Centre get. There should be some limit; I do not know what exactly the limit should be. But if we are wedded to a socialistic pattern of society and equal distribution of wealth, I think we should try to make some progress in that respect.

One great objection to this Bill, as has been pointed out earlier is the refusal to accept the excellent proposal of the Bhaba Commmittee to appoint a Central authority to administer the Act—some independent statutory body. The Minister said that Government had its policy and so on. Government's broad policy may be outlined and these members of the semi-independent body could be taken into confidence. It is not suitable to have a Government department. It necessarily means red tape; possibly it means favouritism and quite sometimes it means corruption. Power of notification given to the Government is objectionable in principle and very mischievous in practice. Departments always have a few blue-eyed babies and notifications may be issued at the instance of interested parties at the expense of others. Some independent statutory authority like the Board of Trade in England is very essential to discharge the duties. I think the Finance Minister, being somewhat of a poet, has the habit of looking in a subjective manner. His approach is undoubtedly subjective. He sees every officer in his own image but if he takes an objective view and looks round he will find that for one Deshmukh there are probably half a dozen or more Venkataramans and on this particular point I recommend Shri N. C. Chatterjee's minute of dissent as to why a semi-independent statutory body ought to be established.

I now come to the enforcement of the Act because we must know that any law that we make as legislators must be enforced properly. Ordinary law is for ordinary people; ordinary people have common intelligence but this law—Companies Bill—is for special people, very uncommon people, very clever and almost cunning people and therefore, it is necessary to see that the Act is really made enforceable. There has to be an effective enforcement and for that there should be a suitable machinery. For the whole State of Bombay—now I am coming to some particulars—there is only one Registrar of Companies. He is assisted by a few assistants. He is also the Registrar of Firms under the Partnership Act. He is also Registrar of Societies under the Societies Registration Act. Before he takes any proceedings he must consult the law officers of the Government. Then the filing of the complaint begins. After that he is to arrange for the service of the process— a very difficult affair altogether. The complaint to be filed must be filed before a Presidency Magistrate or a Magistrate of the First class under section 616 of this particular Bill. Apart from a very few offences which may be tried summarily under section 616 the normal procedure has to be followed. That means you have to go to the Presidency Magistrates or First Class Magistrates and they, as you know, have no special appreciation of the intricacies of the Company Law. The Registrar cannot claim any special priority in a criminal court. So, proceedings drag on for months together. Ultimately, more often than not, the court is inclined to regard the default as purely technical and lets off the defaulter with a fine. The defaulter pays the money of the fine with a sweet smile and repeats the same performance being backed up by very superior legal advice. Now, my suggestion is that the Registrar must have special and separate staff. In towns like Bombay one or two special Presidency Magistrates ought to be provided. In Bombay there are now several Special Magistrates to enforce the Prohibition Act; but, you know, Prohibition Act is entirely on a different footing. The Prohibition Act is the most beloved child of the ruler of Bombay.

Then I come to an important point. We want distribution of wealth and the idea is also to help small companies. But, this Act will, in my opinion operate very harshly against small companies. Today, traders in a small way prefer to form companies in order to secure the benefits of limited liability; but if the duties enjoined on companies by this Act require the employment of suitable and expensive staff the small companies are bound to be squeezed out and they will be left only with the choice of forming partnerships without the advantage of limited liability. The question I ask is: is it the intention of the Government to foster huge companies and squeeze out small ones? The Insurance Act has already done the mischief. Does this lead to equitable distribution of wealth? Would it bring us nearer to a socialistic pattern of society? All this reminds me of another very short story where a sculptor who wanted to carve the idol of Lord Ganesh unfortunately succeeded in producing a monkey. So, it is no use telling us that Government means well. It is not enough that you mean well. You know, Sir, there is a good old saying that if you mean well and do not do well then you are a damn fool.

I cannot end my speech before I refer to the very clever minute of dissent by my hon. friend Shri Tulsidas. Of course, I somewhat agree with his first statement that this Bill is prolix, complex, rigid and so on. Then he says that political bias has

[Shri Khardekar]

made some people move the Bill in a different direction. The main point is that it is not a political bias; it is a political ideology. Now, all our legislation has got to take into consideration the political, social and economic aspects. We are aiming or we are ambitious of having a democratic set up of Government. That necessarily means raising the standard and dignity of the common man. Shri Tulsidas probably wants the rich to become richer and the poor to become poorer. If one were to accept all his recommendations, I think, the Bill will have to be ended. As I said once with regard to the Estate Duty Bill Shri Tulsidas loves only to kill. He welcomed the Bill and then tried to demolish everything. He seems to be living—although he is a child of the industrial revolution—in a sort of mediaeval dream. He opposed the Estate Duty Bill. He opposed the Constitution Amending Bill. He has opposed this Bill also. Of course, his minute of dissent is drafted by an expert—I do not know—expert in himself or outside.

With regard to the main question what I want to say is that this Government by monopolising power not only in this particular Bill but in other things also—if you see the University Grants Commission Bill out of nine nominated members there is a possibility of four being officials—is tending to become more and more departmental and totalitarian. That means the Government have no faith in the people of this country. This is a very sorry spectacle and I hope the learned Finance Minister will try to set up a statutory body.

Shri Mohiuddin (Hyderabad City): After a long period of consideration the Bill has now reached a stage when it is hoped that it will become an Act. The Finance Minister has called it a 'mammoth legislation'. It is no doubt a very big Act covering about 650 clauses while the Act which it will replace had only about 350 clauses. The clauses are overlapping, complicated and very difficult for a layman to understand its intricacies. Anyhow I welcome the Bill because it attempts to incorporate definite measures against the evils that were practised in the company management during the last 20 or 30 years.

Now, I will refer only to a few clauses which, I personally think, would require some amendment. Shri Asoka Mehta has referred to proportional representation for the election of board of directors. I think it is necessary that minorities should be given some representation so that they may have a chance to express the views of shareholders whom they represent. But the method of representation by proportional voting is extremely undesirable because it will lead to complications in the actual management of industries.

I find there is some support for this measure because they think that the opposition group must come into the management. That will be very dangerous for the efficient management of the industry itself. If persons want to go into the management for co-operation they should be welcome, but if they want to go to disrupt, it will be undesirable and will lead to bad management and inefficiency. In this respect, I would mention the healthy conventions that had been established by the Government of Hyderabad in the industries in which they hold very large shares. They hold large shares and even the managing agency of certain industries like textiles, sugar and so on, and they also hold 51 per cent. of the shares in the Hyderabad State Bank. The healthy convention that they had established was that apart from the directors elected on behalf of the Government, the directors representing the Government did not vote in the case of election of other directors. They abstain from voting so that they could allow other voters to send in their own representatives as they like. In all such cases the other representatives that came in, came with a view to co-operate and not to disrupt. I think the proposal that has been incorporated in the Bill is that t is left to the companies to alter heir articles of association if necessary and provide for proportional representation. It is a desirable provision.

Clause 348 which refers to the tems that will be deducted and the items that will not be deducted from he profit, provides that the losses incurred after the enforcement of this Act will be deducted from the profits for the purpose of calculating the commission for the managing agents This provision may lead to some industries remaining in inefficient hands. There are some industries which I know are running at a loss and have accumulated losses in their balance-sheets because they are in nefficient hands or because their present managing agents have lacked he resources for the purpose of running the industry efficiently. If this provision is adopted, it will mean that the industries which are now in nefficient hands will remain in inefficient hands and we will have no mprovemet in future. I suggest that ome amendment may be made in this clause to provide that if the new managing agents are not associates of he old managing agents this provision will not apply and necessary anction of the Government may be had for such non-application.

Reference has been made by a number of Members in regard to the proposal that was made by the Bhaba Committee for the establishment of a central authority or a semi independent authority with statutory power or the control of the affairs of the companies. It was a very useful proposal and it would have had a very good effect on the management of the industries and the companies s a whole in India. The Government, however, have not accepted hat recommendation. The joint Committee has also not insisted on it. But personally think that such a statutory body will be useful for the healthy growth of joint stock companies in India. You might remember that in the Forward Contracts (Regulation) Act, which became an Act about two years ago, the Bill as originally introduced in the Lok Sabha provided for a statutory body to control the forward markets in commodities. When that Bill went to the Select Committee, that clause was altered and the control of the forward markets was vested in the Ministry of Commerce and Industry. There seems to be a deliberate policy on the part of the Government to avoid statutory bodies as far as possible. The hon. Finance Minister has said that in the administration of the Company Law, there will be so many matters in which Government will have to take policy decisions. In important matters of course the policy decisions will have to be taken by Government and that can be done either by directives or by amending the appropriate Act for the purpose. But for the day-to-day administration, a statutory body would be a very desirable instrument under this Act.

The second point which is not provided for or on which there is very little emphasis is that there is no regular inspection of companies. The Reserve Bank of India began the inspection of banks about six or seven years ago and I remember that as soon as the Reserve Bank selected a bank for the purpose of inspection there was a run on the bank or the depositors always thought that there was something wrong or leaky in the bank itself. But now we see that the Reserve Bank of India has made it a practice of inspecting banks regularly, and I find that this regular inspection of banks has had a very salutary effect on the administration of the banks. Similarly, if Government were to provide regular inspections under the statutory body of the companies, it will have a very salutary effect on all the companies. I know that it will not be possible for the inspectors to inspect 18,000 or 20,000 joint stock companies but it is not necessary that every company should be inspected. The fact that inspection will be made, the fact that any company may be

[Shri Mohiuddin]

chosen for inspection is itself sufficient to keep the managing agents, managing directors or the treasurers and the secretaries on their guard, and I am sure that if such a provision is made and arrangement is made for a regular inspection there will be considerable improvement in the affairs of the companies.

We are all ready to condemn the managing agents. We are all ready to expose their defects and their evils. But the alternative instrument of managing industries and companies, that is to say by the secretaries and treasures or the system of operative directors, has not been given sufficient inducement so that the present managing agents may give up their managing agencies and adopt the other system. The managing agencies are allowed 10 per cent. While the other system is allowed only 7½ per cent. commission. With this difference of two and a half per cent. I am afraid that there will be definite preference for the enterpreneurs to adopt the system of managing agency and not the other system. I doubt whether with these provisions the alternative system will make any progress whatsoever. It is hardly possible that industrialists will adopt the alternative system unless they are compelled to adopt it. I would therefore suggest that the provision may be made that up to a paid-up capital of Rs. 20 lakhs or Rs. 30 lakhs, the commission for the management, whatever from it may take, should be 10 per cent. and for the paid-up capital of over Rs. 20 lakhs or whatever amount is fixed, it should be 7½ per cent. That will give a definite inducement for the managing agents to transform themselves into some other system of management and in course of time, the managing agency will come to an end.

4 P.M.

I should like to refer to another important point which the previous speaker had mentioned and that is that this mammoth legislation seems to be meant only for big corporations. The provisions are so complicated and so overlapping that no management can run a company without constant advice from the auditors or from the experts on commercial law. It appears that this Act will be used only by big companies and big corporations. The small companies will be in difficulties. They cannot afford to employ constantly experts on commercial law nor can they always take advice from their auditors in regard to what they can do and what they cannot do; what resolutions the Board should pass and for what resolutions they should go to the general body for confirmation. We expect that there will be widespread industrialisation, especially small and medium-scale in rural areas. The landlords and the moneylenders who so far had lent money to the cultivators at usurious rates of interest will very soon be squeezed out of their business and the co-operative societies will take their place. With the establishment of co-operative warehouses and multipurpose societies, the trade in agricultural produce will pass into the hands of the co-operatives. We have in our rural areas a very shrewd class of businessmen who used to lend money to the cultivators and who are in this business for a very very long time. Now, it is expected that with the spread of the co-operative movement, this class of shrewd businessmen will get a chance of establishing small or medium-scale industries in the rural areas, say with a capital of Rs. 5 or Rs. 10 lakhs. If this Act comes into force, it will be very difficult for them to enter the field of joint-stock companies. Of course, the other alternative is that they should join the co-operative movement; but we have got to be realistic. I hardly think that the class or people to whom I am referring will easily or willingly take to the co-operative method of organisation of industries. I hope they will, but still I hardly think that they will willingly come and take up the co-operative method of organisation of industries. If we wish to make rapid progress in industrialisation.

especially on a small scale or medium-scale in the rural areas, this piece of legislation is absolutely useless, because it is so frightening for those who cannot employ at very high expense the services of an expert on commercial law. I think, therefore, that the Finance Minister may think of some other law by which the advantages of joint-stock companies can be extended to the small and medium-scale industries.

The hon. Finance Minister in his introductory remarks said that the purpose of this Bill is to help in an increasing measure the running of companies on honest and healthy lines. As I have just now said, this has shut out a particular class of people who have the capacity to take the initiative, because the Bill is so complicated. With these remarks, I support the Bill and I hope that the suggestions I have made in regard to the amendments of the various clauses would be considered by the Finance Minister.

Mr. Chairman: I would like to bring to the notice of the House that several hon. Members who had given their names to speak on this Bill are absent from the House. This, I think, is not a very desirable practice. I would request the Members who desire to speak to continue to sit in the House. As a matter of fact, on a very important Bill of this nature, there are hardly any speakers now except one Member; and, there is every chance of the first reading of the Bill being finished just now. I would request that Members who are desirous of speaking should be present in the House; otherwise the first reading will be over.

Shri N. M. Lingam (Coimbatore): The Finance Minister has said that since the Joint Committee reported on this legislation, several fundamental changes have taken place in the social structure and there is no finality about making perfect a Bill of this kind. As we go on adapting ourselves to changed conditions, we will go on amending this legislation. This change in social philosophy is not the only cause for the present amendments proposed by the Joint Committee; it is also the effects of legislative measures of the kind we are discussing here today. It is not my intention to go over the entire field of the Bill and bore the House. I would like to focus the attention of the House on two or three important basic issues over which there has been controversy both in the House and outside.

[SHRI BARMAN *in the Chair*]

In the first place, it appears to me that the attempt to improve the Companies Bill, marathon though the effort has been, is bound to fail because we are trying to rectify the obviously impossible, trying to achieve the obviously impossible. It is pertinent in this connection to bring to the notice of the House a review of the history of the managing agency system in this country. The managing agency system thrived in an atmosphere where there was no concious attempt at industrialisation. There was no planned economy in the country either. Profit motive was supreme everywhere and our Indian entrepreneurs wanted to join hands with their British compeers in making as much profit as possible. Nor did the shareholder take any interest in the proper management of the company. I mention this because often the blame for the improper management of the joint stock companies in our country is entirely laid at the doors of the managing agents. I submit that they are part of the system and not the whole. They thrived because the system was favourable to the growth of the managing agency system in a fashion which we are here trying to remodel. As I said, the shareholders did not take any interest at all in the proper working of the company. They were scattered over wide areas of the land and it was enough if they were assured of their dividends. The system of audit was none too good. If the auditors only had the power and the independence to expose the companies, things would have improved. I shall

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deal with the question of auditors later on when I come to the clauses.

I shall now only briefly review the factors that contributed to the state of affairs which we are criticising here today. Another important factor was, as hon. Members who preceded me have said, lack of supervision and control by the Government. There was really no effective machinery to supervise the working of the companies and to investigate the complaints made against the companies. It is now only that the Central Government has taken up the responsibility to inspect of companies. I am glad the Finance Minister has lost no time in accepting this recommendation of the Bhaba Committee and is building up an efficient department to supervise the working of the joint stock companies in the country. In the past there was no properly developed capital market; no under-writing firm and no Investment Syndicate. It is also true that managerial, technical and business experties was not available. What is the position today? We have got a planned economy. Our public sector is steadily expanding. I shall refer to only a few of the development which have taken place even since the Bill was first introduced in the House. A cry is often raised that without the capital market, the private sector will suffer; there will be no investment and that if we abolish the managing agency system, a vacuum will be created and there will be a big gap in the industrialisation of the country. I shall, with your permission, bring to the notice of the House the following developments that have taken place during the last two years. The Industrial Finance Corporation has been set up not only on an all-India basis but also at State levels. Then we have the Industrial Credit and Investement Corporation formed by the Union Government and the World Bank with a capital of 17½ crores, of which 7½ crores have been given interest-free. Then, we have Government-owned National Investment Development Corporations for planning projects and setting up new industries. We have the direct State financing of the expansion programmes of the Tata Iron and Steel Company and the Indian Iron and Steel Company advancing large scale loans. We have the nationalisation of the Imperial Bank. We have also envisaged with regard to the rehabilitation of agriculture, the expansion of co-operative marketing in the country; but though co-operation should not come under Joint Stock Companies, I only want to show that we are covering every sector of the economy of the country by creating sources of finance. We are not depending entirely on the capital market which has been financing the Joint Stock Companies so far. It is also common knowledge that this capital market has not been able to finance the First Five Year Plan in the private sector adequately in all desirable fields. So, my submission is that it is too much to say that without the managing agency system, there cannot be company promotion; that capital market will dry up and that there will be a lacuna or gap in the financial structure, affecting the economy of the country. Then, as I have said at the outset we have now got a planned economy and we have also declared the objective of our economic policy as being one of achieving a socialistic pattern of society. But I mention this only to show that it is not ideological consideration alone that prompts us to examine the scheme of the Bill with regard to managing agency critically. It is true that every measure that we discuss and pass in this House has to be in harmony with the basic philosophies as the Finance Minister mentioned this morning, but even from the pragmatic point of view, my humble submission is that the policy towards managing agency, as it is given out in the Joint Committee Report, has to undergo drastic changes. I realise that the Committee has said that Government will be given power to notify the industries which will have no managing agencies after a certain date. I forsee serious conflicts in a policy of this kind. We have made a provision in the Bill that new companies will not have managing agents after the notified date.

With regard to the existing managing agencies, power is given to Government to decide whether a particular industry needs managing agency or not. Taking for instance a textile company which has to come up for sanction of the Government, we are confronted with the position where such a company will have no managing agency, but the existing managing agents in the industry will continue. The Government have the power to renew the managing agency in respect of an existing industry on the same lines. It is not that the textile industry is going to need managing agents. The textile indutsry is probably one of those which will not need managing agents. I am only citing an example. This will lead to conflicts; this will lead to discrimination.

Then this uncertainty about the renewal of managing agencies is also bound to have adverse effects on the growth of the industries which the managing agencies are supposed to manage. I would even go to the extent of saying with one of the Members who has appended a minute of dissent to this Bill, that instead of having this middle-of-the-road policy with regard to managing agency, it is better to abolish it altogether with effect from a certain date.

I listened to the speech of the Finance Minister this morning. I know he is weighed down with the responsibility of the successful implementation of the Second Five Year Plan where we envisage a huge industrial expansion both in public and private sectors, but my own feeling is that we have to take a risk in measures of this kind where we are concerned with basic philosophies. The temptation for taking the line of least resistance can be appreciated by the House, but I feel that nothing in the world is an unmixed evil or good. It is true, and the House will readily concede, that managing agency has contributed to the industrial growth of the country, although such growth has not been according to a plan.

Shri C. D. Deshmukh: I am sorry to interrupt. Do I understand the hon. Member to say that if an industry is notified then, only in new enterprises belonging to that category, no managing agents will be allowed and that existing managing agents will be allowed to continue? Is that his impression?

Shri N. M. Lingam: According to the Bill, no new industry will have managing agency.

Shri A. M. Thomas: It is not like that.

Shri N. M. Lingam: When it is notified, it comes within the prohibited degree.

Shri C. D. Deshmukh: Then, after a period of notice—three years or whatever the date is—even the existing managing agencies have to cease.

Shri N. M. Lingam: Then I stand corrected.

Apart from the conflict I was referring to the industrial sector in the Second Five Year Plan and I said it is for this House to decide where the balance of advantage lies. As I said at the outset, managing agency is the creation of conditions in which such institutions thrived and it is now for the House to see whether we can take the risk of doing away with it and launching upon our plan of industrialisation having regard to the developments that have taken place in the country and in the world. My own submission is that the time has come when we should do away with this relic of the past. I also say that instead of having the power vested in the Government to notify industries which will not have managing agencies and giving them power also to renew managing agency wherever necessary, it is better to lay down a definite policy and since the anxiety seems to be about the immediate future, I beg to suggest that we should in this House decide that the managing agency system will continue only till the end of the Second Five Year Plan. Under the Second Five Year Plan we are envisaging industrial expansion and during the five

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years of the Plan the private sector will have time also to adjust itself to new methods of business management. These are the important points with regard to the managing agency system.

Shri S. S. More: What is his concrete suggestion? I have not been able to follow what his concrete suggestion is.

Shri Kamath: Have patience.

Shri S. S. More: It is as confusing as the report.

Shri N. M. Lingam: I did not hear him properly.

Shri C. D. Deshmukh: The Hon. Member suggests that managing agency be eliminated by the end of the Second Five Year Plan, that is to say, we should take a decision here and now. That is his suggestion.

Shri N. M. Lingam: Yes, then I have to make a few observations with regard to the audit of joint stock companies. I agree with the remarks made by the two hon. Members, Shri Morarka and Shri Nathwani, who have appended a Minute of Dissent to have the audit controlled by Government. I would even go further and say that we should have the entire audit service under the control of the Government as in the case of co-operative and local fund audit. That is an effective check over the tendencies of these joint stock companies to indulge in malpractices which have been in the past the cause of so much criticism. I am not satisfied with the present provision in the Bill with regard to audit and accounting of joint stock companies. They still leave room for evading the provisions of the Act and unless audit is tightened up, most of these provisions will become ineffective.

Then, I want to say few words on the central authority about which the Finance Minister has spoken. The provisions of the Bill envisage only an advisory commission to advise Government on all matters relating to the administration of companies. Some Members have pointed out the desirability of having an autonomous statutory body for purposes of superintendence of joint stock companies which will be independent in all matters except those involving matters of high policy. I am inclined to veer round to the view that it should be possible to have an autonomous body which will have very little interference from the Government. Such a body should be held responsible not only for the superintendence of joint stock companies but for the growth and expansion in all directions. They should be responsible for arranging their audits, for inspecting their affairs, and of course, also for the investigation with regard to their winding up. It must be a very high-powered body with powers commensurate with the responsibility that we seek to place on them.

Shri Sadhan Gupta (Calcutta—South-East): I was frankly disappointed to hear the Finance Minister's speech while moving for the consideration of the Companies Bill as reported by the Joint Committee. In the course of the speech he gave an indication that it was after all the shareholders' interest that was to be secured by the Bill, and obviously he has presented a Bill and has moved for the consideration of a Bill with that kind of a limited outlook.

We are a backward country which has just emerged out of bondage, the bondage of a powerful foreign imperialism which has left all sorts of legacies in our country. The legacy of the foreign rule, which although it has politically left us, is still economically very much in our country. Foreigners control the most vital sectors of our economy, and the most important industries at that. An industry like jute which is a very important, industry as far as our exports go, industries like oil production, an industry like tea, which brings us so much of revenue, and all kinds of other industries are controlled by foreigners, important industries, important both for the purpose of our earnings and also as far as the life of our country is concerned.

If we just have a peep into our daily life, we will know what kind of control the foreigner exercises Now, let us start our day with a cup of tea. Even there, 85 per cent of the price we pay for the tea goes to the foreigner. Then let us start with our cooking. The price that we pay for the coal or the fuel which is necessary goes to the foreigner. From whatever angle you may look at it, you will find that it is the foreigner whom we have to pay in respect of most of the activities of life that we pursue. If you travel by train, the coal that runs the train is more or less foreign-owned. If you switch on the lights in Calcutta, you have to pay to the foreigner, and worse still, even in a village when you light a kerosene lamp you pay for it to the foreigner. This is the kind of dependence that we have upon the foreigner.

Shri S. S. More: Even in dreams we dream of the foreigner.

Shri Sadhan Gupta: This is the kind of economic dependence we still have on foreigners, in spite of the fact that we have won political freedom. It is self-evident that a country with such economic dependence cannot make very great progress.

What has this Bill done to relieve our economy of this vicious grip of the foreigner? Let us not forget that this grip is excercised by foreign in joint-stock companies in various forms. This being a Bill to regulate the affairs of joint-stock companies, I ask, what provision has this Bill made to liberate out economy from the vicious grip of the foreigners. I shall try to make some suggestions as to how we could have provided in the Bill, to some extent, to liberate our economy from foreign grip. But at the moment I only want to say that this Bill has not provided for such liberation. Apart from this foreign domination, there are the other evils which are prevalent in a capitalistic system and particularly in an economy which is backward, and which is not as developed as in the case of other countries. Various malpractices and abuses are there. And the Finance Minister has told us that Government's general policy is to refrom these abuses and malpractices. I for one very much doubt— in fact, I am very much convinced on that— whether without uprooting the social structure, we can really reform or remove these abuses. These abuses will continue. However much we may try to remove these abuses, they will express themselves in one form or another. But even within the present social structure, I shall try to show you that the Finance Minister has not given us a Bill calculated to reform the abuses which are prevalent in our economy.

Mr. Chairman: I think at this stage the hon. Member should direct his remarks to the Bill as it has emerged from the Joint Committee. All these remarks of the hon. Member would have fitted in with the general discussion on the original Bill. But now when the Bill has emerged from the Joint Committee, the hon. Member may touch the provisions of the Bill in its present from and direct his remarks to them.

Shri Sadhan Gupta: Whether it is the Finance Minister or the Joint Committee, my remarks are directed against whoever is responsible for it.

Mr. Chairman: I am not taking exception to that. I am only saying that after a Bill comes from a Select Committee, the discussion should be confined to the changes only.

Shri Sadhan Gupta: Change was suggested, but the change has not been made.

Shri S. S. More: This is a consolidating measure and as such the question of principle does not arise. The only principle that we are committed to by referring it to the Joint Committee, and by welcoming it after it has emerged from the Joint Committee is that there must be some company law for the purpose of controlling companies. As far as an amending Bill is concerned, there is some principle for

[Shri S. S. More]

the amendments, and we have to restrict our debate to those limits. But as far as a consolidated measure is concerned, my submission is that the field is wide open. Otherwise, on such a measure which goes to the root of the matter....

Mr. Chairman: What I mean is that at the time the Bill was referred to the Joint Committee, all kinds of suggestions and objections would have been more appropriate. But that stage is now past, and the Joint Committee has submitted its report on the provisions of the Bill and has given the Bill to us with some amendments.

Shri S. S. More: With due difference to you, I want to suggest that at the time of the first reading, that is to say, when the Bill was referred to the Joint Committee, we did make certain suggestions, both sides. Now it is for us to see how far those suggestions have been carried out, and therefore, reference to them will be necessary.

Mr. Chairman: I think it will be more proper if the hon. Member mentions the provisions of the Bill and then points out that this has not been done or that has not been done.

Shri Sadhan Gupta: I do not know whether you were here at that time but you might recall that I made these very points about our dependence on foreigners etc. in the course of my speech during the general discussion when the Bill was referred to the Joint Committee. After that, the Joint Committee has considered the Bill, but they have not made any changes that I had suggested.

[Mr. Deputy-Speaker *in the Chair*]

I submit we are not bound by what the Joint Committee has not done and we have the right to criticise it, on what the Joint Committee has not done; we have also the right to criticise it on whatthe Joint Committee has done, in particular when the attention of the Joint Committee was drawn to these matters in the course of our speeches on the original motion for reference to a Joint Committee.

So I was submitting that these provisions had not been made. Now, I would make the strongest plea for incorporating such provisions calculated to do away, in some measure, or at least attempt to do away with the abuses, and also to relieve our economy from the grip of foreign control into which it has passed as a result of our imperialistic heritage from the past.

Now, let us take this matter of foreign control. Foreign control is exercised in a variety of ways. I had just given you the extent of the foreign control over our economy and what I want to tell you now is that it is exercised in a variety of ways. It is exercised, first of all, through the managing agency system, to which I shall come later. Apart from that, foreigners think our country is a very covetable investing ground and they have come forward with their investments. Now, there should have been a deffinite check on such investments. We cannot welcome in our country a situation where in every conceivable industry, foreigners should come with their capital to compete with our own industrialists or our own people, and thereby to have a grip on our economy. It is well known that foreigners are better able to run their business in our country, because they have considerable resources. If they are allowed freedom to do so, then the interests of our national industrialists, those of our countrymen who want to do business, who want to establish industries, will suffer greatly, except, of course, a very few big guns who have collaborated with foreigners. As regards the bulk of our industrialists, as regards the bulk of our businessmen, they will, and they actually do, suffer through foreign competition. Now, what do we find? We are not restricting foreign investments to a particular sector. We are not restricting foreign investments to sectors of industry, for example, where our industrialists cannot possibly undertake the production of the thing. Foreigners are coming as producers of toilet soap and things like fountain pens, pencils, typewriters etc. which might easily be manufactured by people of our country. There is no restriction in this Bill on such a thing. I would have desired that foreign investments either should have been banned or should have been so drastically regulated that they would not be able to compete with our own industrialists or businessmen. I would prefer that foreign investments be totally banned. If capital was necessary for the establishment of industry, and if that could not be forthcoming from our own country, then it should be brought on a government to government basis as loan capital and not as investment capital. That way, we could have paid interest on the loan and utilised the loan to increase our resources—the loan would have paid its own interest. Instead, we are asking people to come and invest, and the result is that their investment only yields profit to them and only gets us a miserable pittance by way of employment alone. It does not add to the prosperity of the country at all. Therefore, there is a complete case for banning it altogether. But I know I cannot have all my own way. The Government, as they are constituted, will look with horror at the prospect of banning foreign investments. But I could at least expect them to do this: they could drastically regulate it they could say that foreign investments would not be permitted, except in sectors where national businessmen or the Government do not find it possible to invest their resources. Or if they want to permit foreign investments in all sectors, the Bill should have provided that investments made by foreigners should be not more than, say, a small percentage of the whole investment. It must be so regulated, whatever the way. There is need for a drastic curtailment of foreign investment, but it is not being so regulated. Therefore, that is my first objection against the Report of the Joint Committee.

Now, let us look at the claim that the policy of the Government in this Bill is to reform the abuses and malpractices. Let us see whether the labours of the Joint Committee have contributed to such a policy. We know that one of the sources of abuses was the managing agency system. I do not, for a moment, pretend that by removing the managing agency system, you will remove all the abuses to which capitalism is subject to, because capitalism is a thing which will lead to abuses. Whether it is through the managing agency system or whether it is through some other system, the capitalist economy will invent an infinity of ways of creating abuses and malpractices. But the question is, have even the existing sources of abuses been removed? There was a strong plea for the removal of the managing agency system because it is before us as the source of some of the major abuses. Here too, the Joint Committee has displayed a lot of hesitation which has not pleased anyone except the reactionaries in our country. The managing agency system has been kept. The old Bill recommended that it should be abolished within some time. The Joint Committee, instead, has sought to perpetuate it, may be with certain limitations; but it has sought to perpetuate it.

These limitations, as I shall show presently, are absolutely useless by way of limitations. In spite of the attempt to exclude associates, in spite of the attempt to exclude relatives there are so many ways in which the same people may defeat the attempts of the Act to restrict the scope of management. It is said that a particular great industrialist of our country has his cook as director of certain companies.

Mr. Deputy-Speaker: We must be glad that the cook has risen to such a position.

Shri Sadhan Gupta: The cook has risen to this position....

Shri V. P. Nayar: He is the managing director of the kitchen Sir.

Shri Kamath: He may be cooking up other things too.

Shri Sadhan Gupta: He is a cook and the directorship is cooked for him by his master, for his own benefit. If

[Shri Sadhan Gupta]

that is true that shows the possible ways in which the whole Act may be evaded. The cook is not a relative and it will be very difficult to say that he is an associate. Similarly, I do not know in what ways these provisions may be defeated. It is said in defence of the perpetuation of the managing agency that the Bombay Shareholders' Association has asked for its retention and therefore there can be no proof stronger to show that there is a case for the managing agency system, as if the Shareholders' Association is the only party interested in the retention or non-retention of the managing agency. I do not know anything about this Shareholders' Association or what kind of shareholders it represents. The Company Law Committee report reveals that shareholders are notoriously disinterested in their own affairs, particularly small shareholders; as long as they get a dividend they are not very much interested in the affairs of the company. And, therefore, I do not know whether the Association represents such shareholders or the bigger shareholders who are also in a way guilty of promoting the managing agency system or a least of having quite an interest to support the managing agency system. Even apart from the question of shareholders—whatever the opinion of the shareholders may be—the question of retention or non-retention of an evil like the managing agency is not the interest of the shareholders alone; it is the interest of the whole people of the country. Because a joint-stock company, particularly a big joint-stock company, has its influence not only on its shareholders, has its reactions not only on its shareholders it has its reactions on the economy of the whole country. Whether a certain foreign firm manages one company or two companies or 30 or 50 companies is not a question with which only the shareholders of the company or companies are concerned but it is a question with which the whole country is concerned. Whether two or three foreign firms through their managing agency have the control of the industrial produce of a certain industry, whether two or three foreign firms through a small investment control a relatively vast proportion of the capital invested in our country, these are questions in which not only the shareholders of the companies are interested but in which the whole country is interested. Therefore, I am not at all persuaded by the Finance Minister's argument that because the Bombay Shareholders' Association has pleaded for the retention of the managing agency system there is no case for its abolition.

What has been the evil of the managing agency system? The greatest evil for our country has been that its has enabled the foreigner to keep a grip on our economy. I have shown in the beginning of the speech how foreign interests control so many sectors of our economy. They do not always control it through their own companies, through companies which they own or in which they have the majority of shares. In many cases the companies may be such that they do not own the majority of shares; yet there is their managing agency which controls those companies; without making any considerable investment in the resources of those companies these managing agencies control those companies. It is in this way that a foreigner without investing much capital is enabled to control many sectors of our economy. This is one of the greatest banes of the managing agency system for which we want its abolition.

There is also the other aspect of it. The managing agent manages many companies and manipulates the accounts and the affairs in such a way that he is able to evade the payment of taxes and also to evade the payment of due wages to his employees. There are so many instances in which the managing agencies had manipulated the accounts of the various companies they manage. They show the profits of one company as the loss of another and thereby deprive the Government of the legitimate taxes.

I have seen in the course of my practice in industrial courts how the managing agencies keep the employees quite uncertain about their employer, whether it is the company or the managing agency. When it suits them one way they say they are the employees of the company, when it suits them the other way they say they are our employees. In this way, when the employees claim wages, when the managing agency is a profitable concern they say that they are not their employees they are employees of the particular company they manage and that company has suffered a loss and so they cannot get wages. When it is a question of a transfer from one company to the other and the employees resist, they say, 'well you are our employees and we can transfer you wherever we want'. That is the way it goes on. It is not at all difficult for them to manipulate the affairs and thereby to deceive the employees. This is the way in which managing agencies function. Therefore can there be any doubt that there is absolutely no case for retention of the managing agencies on however limited a scale? When you allow managing agents to manage more than one company it inevitably follows that you place them in a position to manipulate the affairs of different companies and manipulate the accounts.

5 P.M.

Mr. Deputy-Speaker: The hon. Member has evidently a lot to say. He may continue day after tomorrow.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, 12th August, 1955.